

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
Minutes of the Board of Trustees  
Tuesday, August 28, 2012

TRUSTEES PRESENT

Mr. Dean Hirata, Chairperson	Ms. Karolyn Mossman
Ms. Barbara Krieg, Vice Chairperson	Ms. Celeste Nip
Ms. Linda Currivan Musto, Secretary-Treasurer	Mr. Luis Salaveria
Ms. Loretta Fuddy (left 12:37 pm)	Mr. Clifford Uwaine (arrived 9:06 am)
Ms. Audrey Hidano (left 11:25 am)	

TRUSTEES ABSENT: None

ATTORNEY

Ms. Diane Erickson, Deputy Attorney General

EUTF STAFF

Ms. Barbara Coriell, Administrator	Mr. Tom Morrison, Benefits Consultant
Ms. Sandra Yahiro, Assistant Administrator	Ms. Kathleen Shiroma
Ms. Bonny Kahalewai	Ms. Donna Tonaki
Ms. Debra Pfeffer	Ms. Nicole Wong

OTHERS PRESENT

Mr. Tracy Ban, B&F	Mr. Tony Malone, HMSA
Ms. Irene Bayudan, VSP	Ms. Lynne Miura, Royal State
Ms. Sandra Benevides, CVS Caremark	Mr. Larry Nishihara, Retiree
Mr. Christian Fern, HMSA	Ms. Heidi Rian, ATG
Mr. Kenny Fink, DHS/MQD	Ms. Brenda Shiroma, Benefit Plan Solutions
Ms. Elaine Fujiwara, HDS	Mr. Ron Taniguchi, Retiree
Ms. Keiko Hiraoka, Lilly	Ms. Jade Taono, Judiciary
Ms. Lauri Hunter, CVS/SilverScript	Mr. Sara Temple, CVS Caremark
Ms. Connie Kaneshiro, C&C, BFS	Ms. Jennifer Tobin, C&C-DHR
Ms. Mae Kishimoto, HSTA-R	Mr. Troy Tomita, Kaiser
Mr. Myles Kiyabu, Royal State	Ms. Barbara Y., DHS
Mr. Kealii Lopez, DCCA	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:03 a.m. by Trustee Dean Hirata, Chairperson, in the EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, August 28, 2012.

Chairperson Hirata recommends that the Board approve to amend the agenda to add two agenda items: (1) IV.C.3B under Bank of Hawaii "Signing of Checks Outside of State Treasury"; and (2) VIII. F. under Retirees Not Enrolled in Medicare Part B Appeals "Establishing an Appeals Committee".

MOTION was made for the Board to approve to amend the agenda to add two agenda items: (1) IV.C.3B under Bank of Hawaii "Signing of Checks Outside of State Treasury"; and (2) VIII. F. under Retirees Not Enrolled in Medicare Part B Appeals "Establishing an Appeals Committee". (Fuddy/Currivan Musto) The motion passed unanimously. (Employer Trustee-5/Employee-Beneficiary Trustees-3) [Trustee Uwaine arrived at 9:06 am]

## II. PRESENTATIONS

A. Other Postemployment Benefits (OPEB) July 1, 2011 Valuation Report – Brad Au, Sr. Vice President, Aon Consulting, Inc.  
EUTF OPEB Actuarial Valuation Study was distributed to the Board earlier. Presentation by Mr. Brad Au of Aon Consulting, Inc. regarding OPEB July 1, 2011 Valuation Report (see EUTF OPEB July 1, 2011 Actuarial Valuation, Final Results – EUTF Board Briefing dated August 28, 2012). Discussion held by Trustees and Mr. Au regarding accrual accounting vs. pay as you go accounting and it is the state legislature policy to pay as you go. Mr. Au stated the policy referring to is at a minimum pay as you go accounting. Chair Hirata stated that basically it is a difference between what is required for financial reporting purposes vs. in practice pay as you go. Trustee Uwaine stated that the reason he is asking is because labor cost savings of 5% resulted in an \$88.2 million transfer to the Employees' Retirement System (ERS) as example to fund potential future liability. Based on testimony from Mr. Kalbert Young, Director of Finance, changed to accrual vs. what the policy of the State is pay as you go. Trustee Uwaine expressed his concern that the accrual method is after the fact of just applying the labor cost savings that some bargaining units are in arbitration. The Administration has justification of labor cost savings. It is Trustee Uwaine's understanding that \$88.2 million is taken out by all departments. Discussion held by Trustees, benefits consultant and Mr. Brad Au regarding if was federal legislation that required it. Mr. Tom Morrison stated pre-funding of retiree medical benefits is not required by law. Pension is totally different. Trustee Uwaine restated that the Governor, through Budget & Finance (B&F), Mr. Kalbert Young, transferred over the projected labor cost savings of 5% equivalent of \$88.2 million. They needed to accomplish this in advance rather than the pay as you go. Mr. Au continued his presentation of the Aon report and explained the Hawaii EUTF assumptions and liability. Discussion held by Trustees and Mr. Au regarding which factors on page 7 had the biggest impact. Mr. Au stated that it is the first and second bullet of the health care experience. The anticipated growth is \$51.3 million. The contribution shortfall is \$10.1 million. Mr. Au continued his presentation. On page 8, under the anticipated accounting rules the balance sheet liability will become the unfunded liability. Unfunded liability that will show up on the balance sheet is \$16.5 billion. Discussion held by Trustees and staff regarding that the billion dollar figure Mr. Au is calculating is just in the notes and not in the financial report (not in the liability section of EUTF). Trustee Salaveria stated it is in the State's not EUTF. Whatever portion that we do not fund in the ARC ends up getting booked as a liability. It has grown since 2008 in the financial statement, adding about half a

billion dollars each year into the financial statement. Discussion held by Trustees, staff, and Mr. Au regarding what all this means to the EUTF and if Aon can guide the Trustees. Ms. Barbara Coriell stated that it is important for EUTF because it impacts plan design. The EUTF cannot create the money to fund; it comes from premiums paid by employers. The commitment to have retiree plans is made by the legislature so the EUTF cannot impact that. Anytime you look at plan changes, it is going to have an impact. Mr. Morrison stated these valuation results show the positive impact on reducing the liability EUTF can have through contract negotiations with vendors where the liability went down from 2009 to 2011 as a result of those efforts by EUTF trustees. Discussion held by Trustees and Mr. Au regarding reference to HSTA, whether it means HSTA or VEBA plan or all HSTA members. Mr. Au stated these are the benefits provided to those HSTA members in the former VEBA plan. Trustee Mossman requested referencing needs to be those HSTA members that are in the VB plan. It should be referenced as (HSTA/VB). Discussion held by Trustees and Mr. Au regarding separating police, firefighters, and teachers.

B. The Affordable Care Act and its Impact on EUTF Plans – Tom Morrison, Sr., Vice President, The Segal Company

Overview by Ms. Barbara Coriell regarding the Affordable Care Act (ACA) that became effective July 1, 2011. Presentation by Mr. Tom Morrison regarding the Affordable Care Act and its impact on EUTF plans (see Segal's report dated August 28, 2012, "Hawaii EUTF Update on Health Care Reform, The Affordable Care Act, Pending Provisions for 2013 and Later").

Mr. Morrison stated that the ACA has several phases of implementation. The largest with the most impact to the health plans of the EUTF to the employee will be coming in 2014. Also, those that affect the general population in the state of Hawaii begin in 2014. First, review what is currently in effect for participants in the active health plan. The ACA has an exclusion for retiree only plans from having to comply with any of the features of the ACA as well as mental health parity and certain provisions of HIPAA. Currently in effect for active plans July 1, dependent coverage extension for dependents up to age 26 without any proof of residency, financial dependency or student enrollment. The EUTF has preventive and wellness benefits that now have been included in the plan.

90-day waiting period for automatic enrollment. Once an individual meets 30 hours in a month the employee must be automatically enrolled in a plan no longer than 90 days later. Once they have 90 days whether or not they have actually sent in sufficient paperwork to select a plan, EUTF is going to have to pick a default automatic enrollment plan. And take anyone that is eligible who has a waiting period of 90 days they must be in the plan on the 91<sup>st</sup> day in the default day. There will be extensive regulations on how to implement that. Discussion held by Trustees, staff and benefits consultant regarding the 90-day enrollment, for plan year beginning July 1, 2014, and if notifications would be timed for Open Enrollment. Ms. Coriell

stated that the EUTF has names and addresses and would assist the employers but would not be mailing notices. Mr. Morrison stated the obligation of the notices is from the employers, the EUTF serves as plan administrator or plan offered by employer. We do not have regulations on this. In past circumstances, where notifications were required, electronic posting of notices were permitted provided the employees had general access to computers in the course of their jobs, etc. Mr. Morrison stated there are 1,400+ pages of ACA statute and regulations that he has read. Ms. Coriell stated looking at this whole thing concerns her, that the EUTF looks at plans, but this is something that crosses all the boundaries – employers, the Office of Collective Bargaining (OCB), Medicaid and the health care connector – which is the Exchange. She raised the question of how do all the parties get together to understand who is doing what and when. Trustee Nip asked if the is EUTF learning because March is quickly approaching. Ms. Coriell stated that this is step 1. Mr. Morrison stated he needs to mention two (2) points: (1) a mandated universal health ID number that has to be given to every individual covered in the plan. That universal health ID number is going to be the same for that individual regardless of whether that person is getting insurance from Kaiser or leaving the state and go to work in California. It is a number that is going to follow the individual so that health records follow the individual; and (2) every provider is also going to be assigned a universal number so whether you are dealing with a hospital or physician or other service provider those new numbers are going to be assigned across the board. With that comes two (2) major modifications to the file layout that you now must use to communicate with insurance companies and vendors in the 837 layout. Both of those things are going to be significant reprogramming efforts for EUTF to undertake. Have to be ready by the compliance deadline of October 2014. There is no current accommodation in the Vitech system for those two new numbers. It will be a way of collecting data to a central source. Ms. Coriell stated there are multiple discussions depending on what path the board chooses to take. The EUTF needs to look at options we do have. There are negotiations that have started relative to the new contract that will be effective July 1, 2013 that is a 2-year contract. Negotiations on the part of OCB will have a major impact on what happens at the EUTF because that controls the employee contribution which then controls whether or not people are going to find the plans affordable. We are also going to have to start to talk to Medicaid to figure how we interact there. Trustee Mossman mentioned a timeline; compliance issues are coming up quickly. Then options in deciding which direction to go. Trustee Mossman would like the compliance done by next week, getting those notices out, who is responsible and what information in them and so forth. Ms. Coriell stated that she wanted to get this presentation out to the board as a starting point so they could see what is coming down the pike regarding the exchange. There were no further questions by Trustees.

Recessed at 11:10 a.m. and Reconvened at 11:20 a.m.

### III. MINUTES

#### A. July 10, 2012

The Board reviewed the draft minutes of July 10, 2012. The minutes will be amended as follows: (1) page 2, lines 4-5, delete "by virtue of being the only trustee nominated for that position"; (2) page 2, line 7, after for add "Vice-", (3) page 2, lines 12-13 after elected add "Vice-" and delete "by virtue of being the only trustee nominated for that position"; (4) page 2, lines 20-21, delete "by virtue of being the only trustee nominated for that position"; (5) page 2, line 32, delete "2012" and add "2013"; (6) page 2 line 33, delete "2012" and add "2013"; and (7) page 2, line 36, delete "2012" and add "2013".

MOTION was made for the Board to approve the minutes of July 10, 2012 as amended. (Currivan Musto/Nip) The motion passed. (Employer Trustees-4 YES-Fuddy, Hirata, Krieg, Salaveria; 1-ABSTAIN-Hidano (Absent at 7/10/12 Board meeting)/Employee-Beneficiary Trustees-4)

#### B. August 2, 2012

The Board reviewed the draft minutes of August 2, 2012.

MOTION was made for the Board to approve the minutes of August 2, 2012 as circulated. (Mossman/Currivan Musto) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4) [Trustee Hidano left at 11:25 a.m.]

### IV. REPORTS

#### A. Benefits Committee Report

Overview by Ms. Barbara Coriell regarding the Benefits Committee meeting held on August 10, 2012. Presentations by HMSA and Kaiser. The Benefits Committee had questions and changes for the carriers which will be presented at the next Benefits Committee meeting. Presentation by Mr. Brian Aburano, Deputy Attorney General, regarding Dannenberg lawsuit which has to do with retiree health plan. The Benefits Committee reviewed what options the EUTF has for retiree plan design which will be addressed at a later date. Ms. Coriell summarized the reasons and the staff's recommendation to the Benefits Committee that the Board approve the \$250 co-pay maximum without the \$2,000 out of pocket for the specialty drug coverage for retirees in the Medicare plans. This will make the Medicare Specialty co-pay the same as the co-pay for the Non-Medicare retiree plan.

MOTION was made upon the recommendation of the Benefits Committee for the Board to approve the 20% co-pay, up to a \$250 co-pay maximum without the \$2,000 out of pocket for the specialty drug coverage for retirees in the Medicare plans. (Krieg/Mossman) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

#### B. Administrator Report

1. Retroactive Termination of Coverage

Overview by Ms. Barbara Coriell regarding retroactive termination of coverage. In reviewing COBRA and anti rescission provision, the EUTF cannot retroactively terminate someone back three (3) months. The Administrator believes that the EUTF can use the 30 day window that COBRA allows you for administrative purposes to go back 30 days from date we received notice from the employer. The EUTF has started to implement that. Just notifying the Board that the EUTF is going to have to review all of the EUTF's procedures to make sure we are in compliance, particularly in the finance area. First step is to notify the employers that if we receive notification more than 30 days after actual termination we will be terminating them later than the employer thought. It obviously means that we have been continuing to receive 50% premium from employer. In the past we have been returning that money to the employer which will no longer be going back to the employer.

2. Additional EUTF Office Space

Ms. Sandra Yahiro reported on the possibility of leasing additional EUTF office space on the 15<sup>th</sup> floor previously occupied by informedRx. Working with DAGS Leasing and adding in biennium budget.

3. CVS Member Miscommunication.

Ms. Coriell reported that CVS notified the EUTF that there has been some miss-mailing of a letter to a member which contained reference to a specific drug that the member was taking which was put in an envelope addressed to another member. This item will be addressed by Ms. Sandra Benevides of CVS under the carrier reports.

4. Contracts

As requested by Trustees at the last Board meeting, a chart was distributed to the Board for various contracts the EUTF has.

C. Operations Reports

The IT and Accounting Manager's reports were in Board packet. The Member Services Branch Manager's report was just distributed to the Board. Chair Hirata asked if the Board had any questions for the managers.

1. Member Services Branch (MSB)

a. Personnel for MSB

Discussion held by Trustees, staff and Ms. Nicole Wong regarding high volumes of calls and walk ins, personnel for MSB spending a lot of time resolving CVS Caremark or SilverScript issues, in house support from CVS Caremark and SilverScript, multiple issues such as coordination of benefits; transition and implementation of CVS Caremark; eligibility files; enrollment;

premium; specific plans; informedRx charged less and possibility they were not administering the plan correctly; and payments being higher. Ms. Coriell stated that specific questions can be emailed to the EUTF. Trustee Mossman stated that there are enough that expressed concerns and if the EUTF needs to review if the plans are really comparable. Ms. Coriell stated that the EUTF will have to look at individual cases. Mr. Tom Morrison stated part of checking process is to go back to the definitions that were given to CVS to begin with. Conscious of the fact that it could have been miscommunication from consultant of EUTF over to CVS, such as the system programming correctly. The EUTF did not get a lot of cooperation from informedRx because what was requested from them was very detailed and what we got back was a reference to your own website to say we will look there because all we have is what is on the website. Trying to track them down where it may be a programming error or misinformation given by us to CVS. Chair Hirata asked if there is an overall plan that identifies all the issues and what needs to be resolved and what is the timeframe to resolving all of these issues. Ms. Coriell stated that the timeframe is the biggest issue. For coordination of benefits, a stop gap fix is in place. The bigger plan involves our eligibility file which will involve program changes. At this point, I believe we received a list of items from CVS that they feel would address a number of issues if we made those changes to the eligibility file. We are reviewing that in IT to see what is possible. The EUTF needs to review how to integrate that additional project with about 4-5 other IT projects that are being worked on. At this point, basic temporary fixes are in place. The one we are still working on that is of greatest concern to Nicole is the support for member services. The concern is that there are some members who have been bounced back and forth. The EUTF received numerous letters in the last month or so thanking the staff for taking care of their issue or situation. Transition is a difficult issue. Sometimes it is a CVS problem or the member who was doing better under informedRx and now is not with CVS. Everyone needs to remember it involves 120,000 people. Discussion held by Trustees and staff regarding support previously received from CVS Caremark and getting a person from CVS Caremark back in house, the donut hole and retirees not understanding whether we have one or not based on what they are being told in federally required documents that they are receiving in the mail. Mr. Morrison stated the unfortunate part about communication to the retirees that we also experienced with informedRx. The federal government requires retirees to get communications that may not apply to them when you have an EGWP plan. It is causing a lot of calls for MSB. For open enrollment, they are going to get a notice that says you can change Medicare drug plan between this month and that month and you can opt into a different plan but for the EUTF retiree – it does not apply but the federal government requires every retiree in a drug plan. It is very confusing on behalf of the retirees. Member of the public, Larry Nishihara, stated that he is a retiree and does not have an EUTF plan, but if the EUTF does not send it to

him, the EUTF is violating the law. There are a lot of people who are military retirees who get their drugs from the military, so by law they are suppose to get all this information. That was one of the problems from before. By law, the EUTF has to do it. There are some people who are not military who have drug coverage. They should have the opportunity to know they can have that kind of stuff. The best place to put it is in the EUTF booklet and put a caveat if you're enrolled in the EUTF 14 plan – ignore this part. Ms. Coriell stated that the EUTF is in the process of revising the reference guide.

2. Information Technology (IT)

No questions for IT.

- a. Vitech Systems Group, Inc. – V3 Benefits Administration System (BAS)
- b. Prescription Drug Transition – Active Employees and Non-Medicare Retirees
- c. Prescription Drug Transition – Medicare Retirees
- d. Hawaii Government Employee Association (HGEA) Favored Nation Refund Project
- e. Enrollment Counts

3. Accounting

- a. Actuarial Valuation Report
- b. Bank of Hawaii (BOH)

1. Signing of Checks Outside of State Treasury

Ms. Donna Tonaki reported that the EUTF will be disbursing Medicare Part B reimbursement at the end of the September via BOH and wanted to bring up to the board according Hawaii Revised Statutes, section 87A-25 and a copy of the Statement of Delegation of Authority that was distributed to the board this morning. The Chairperson and administrator are authorized to sign checks that are issued through the State Treasury. Concerns were raised if the EUTF has clear authorization that the same people who sign off on the voucher for payments via the State Treasury would also be the same signers outside of the State treasury. The EUTF staff is recommending that the Board approve that the authorized signers for vouchers and payments via the State Treasury also be authorized signers outside of the State Treasury. It would be the Chairperson or in the chairperson's absent, the vice-chairperson, or in the vice-chairperson's absent, the secretary-treasurer, and the administrator.

MOTION was made for the Board to authorize the same positions that sign DAGSs vouchers be authorized to sign checks outside of the State Treasury which are the Chairperson, Vice-Chairperson, Secretary-Treasurer and Administrator. (Mossman/Salaveria) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

- c. Financial Audit for FY 2012
- d. Biennium Budget for FY 2014-2015
- e. Personnel for Accounting
- f. Financial Statement as of June 30, 2012

Overview by Ms. Tonaki regarding the financial statement as of June 30, 2012. A few journal entries need to be posted such as auction rate security, OPEB liability for the EUTF staff, drug rebate, and some carrier annual reports. The EUTF received a self-funded reserve check of \$9.4 million of interest from Catamaran (formally informedRx). Discussion held by Trustees and staff if increase from March to June were all due to value of assets going up.

Ms. Tonaki stated no, the EUTF did receive money from the C&C of Honolulu for approximately \$40 million refunded in June.

#### D. Benefits Consultant Report

##### 1. Comparative Effectiveness Fees

Overview by Mr. Tom Morrison regarding the comparative effectiveness fees which was covered in his presentation earlier on agenda (see Segal, Capital Checkup dated April 25, 2012). The insurance carriers will pay it for the insured plan and the EUTF has to pay it for the self-insured drug plan.

##### 2. Accounting of Expenditures of Early Retiree Reinsurance Program (ERRP) Fund

Overview by Mr. Morrison regarding the accounting of expenditures of Early Retiree Reinsurance Program (ERRP) fund. It is a function of receiving money from the government under the early retiree reinsurance plan. The EUTF must demonstrate if audited by the government that it in fact had met the minimum maintenance of base year cost when compared to the first year in which it applied for the reimbursement. The Exhibit explains in detail the test. Actuary has to attest to the federal government if you were audited, that the receipt of the money was not used by the EUTF to reduce costs. Must measure that you actually spent the same or more even after the contribution changed from the employers when compared to the base year. The Exhibit was the actuary calculation that demonstrate that in both 2011 & 2012 which received the fund the EUTF passed the base year calculation cost to say that in fact you started in a period where the average cost to the employers was at \$3,070 and increased to \$3,132 when all plans are considered and all employer contributions are taken into consideration so you passed the base year. There is further an accounting change as a result of having met that test. Last year the trustees authorized the expenditure of those funds to subsidize the drug rates commencing January 1, 2012 through May 2012 for the actives and for retirees over 65 from January to the end of June, so that Segal did not have to go back and increase the drug rate back to the informedRx pricing due to the protest that was pending. So those funds were actually expended to subsidize the rates charged to employees so that they didn't have to be increased and that was the cost to the EUTF which is earmarked by you as

trustees to be taken from those ERRP funds. With this memorandum from the actuary saying the EUTF meets the test, which you only need to present if you are being audited by the Department of Labor, Segal recommends that the board approve to take the line item that segregates the ERRP funds and release those back to the general assets of the Trust Fund because they have been spent and they no longer need to be earmarked in a separate line item. The EUTF has expended them and did go to actually benefit both the employer and employee rate to the extent both benefited from that and it went to both active and retired employees. Ms. Coriell requested that Segal confirm what he said in an email for the EUTF's records. Discussion held by Trustees, staff and benefits consultant if is the same amount the EUTF got back. Mr. Morrison stated it is little more than the original amount, slightly over the \$6.6 million the EUTF has in the account now. It is closer to \$6.9 million in total subsidy to the rates for those first 5 to 7 months. Ms. Coriell stated those monies were also factored to the rate setting for the January 1, 2013 drug rates. The ERRP account is for both active and retirees and easiest way to do that was in the self-funded drug plans. At that point, the EUTF was aware of approximately \$4 million that was factored in the rate and the ERRP monies went up as did our cost because of the extension.

MOTION was made for the board to approve the ERRP funds be reverted back to the general assets (Fuddy/Krieg) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

#### E. CARRIER REPORTS

##### 1. CVS Caremark

No written report received.

Ms. Sandra Benevides reported they were notified by their privacy office on August 15, 2012 that an error was made using incorrect file which had disclosed member information which included prescription medication. 19 members of the EUTF were affected. An investigation was launched on the vendor performance. A letter will be sent to members next week and explained the contents of the letter that was sent to the EUTF Administrator and Assistant Administrator with a list of the members. CVS Caremark will be improving and enhancing current processes. Discussion held by Trustees, staff, benefits consultant and Ms. Benevides that it is required to notify the affected members that were affected and if any other private information was disclosed in error. Ms. Benevides stated yes, letters would be sent but will confirm and believe the only other private information disclosed was the medical condition.

In regards to having support in house by CVS Caremark, Ms. Benevides reported she has been working to see if someone will be on site on a temporary basis at this point. Emily from CVS Caremark will be coming for 2 weeks. Ms. Benevides will be at the EUTF's office tomorrow to get direct feedback and sitting in the office to see what kinds of calls, inquiries we have, and volume of calls.

2. SilverScript  
No written report received.  
Ms. Lori Hunter reported that SilverScript is working closely with and having discussions to provide better support to MSB in regards to Medicare Part B. At the end of October SilverScript will implement and roll out a Medicare Part B customer care team on the islands. Overall will be better support to MSB and EUTF retirees. One of the other items SilverScript is currently working on is members' out of pocket costs. Ms. Hunter explained the procedure SilverScript implemented effective July 1 that took the accumulation from informedRx (Catamaran) and applied them into their system.
  3. Hawaii Dental Service (HDS)  
Written report received.
  4. Hawaii Medical Service Association (HMSA)  
Written report received.
  5. Kaiser Health Foundation  
Written report received.
  6. Royal State Insurance  
Written report received.
  7. Vision Service Plan (VSP)  
Written report received.
- V. OLD BUSINESS
- A. Update on Two Medicare Part B Project
    1. Death Validation Project  
Overview by Ms. Sandra Yahiro on the death validation project. Further discussion will be held in Executive Session on reviewing a different type of an agreement.
    2. Retirees Not Enrolled in Medicare Part B  
Overview by Ms. Yahiro regarding retirees not enrolled in Medicare Part B. 53 appeals were received and will be addressed in Executive Session. Discussion held by Trustees, staff, and member of the public regarding totals we have not heard from or received forms from. Besides the 53 appeals, 4 letters were sent to these retirees, if people from foreign countries are not eligible for Medicare Part B, and if retirees that turned 65 before that date in 1999 exempt or required to enroll in Medicare Part B. Actual number of retirees who responded will be provided at the next Board meeting. Ms. Yahiro stated that those in foreign countries are eligible for Medicare Part B which was confirmed with Social

Security. The EUTF will be discussing with the Board how to handle those people who reside in a foreign country. The retirees that were not Medicare enrolled when the Act passed are grandfathered so they are not required to enroll in Medicare Part B as well as their dependents.

**B. OPEB Liability Review**

Ms. Barbara Coriell reported the OPEB liability is a major concern especially to the State. If you do not partially fund it, it will have an impact on the State's bond rating. Anticipate that this will be an issue in every legislative session. For the EUTF to be able to take an effective role in this discussion, the administrator recommends that the Board have an Ad Hoc committee of people to specifically look at the OPEB issue, what might be done to address it, determine or define what role the EUTF has, and to advise the Board. Ms. Coriell asked Trustee Salaveria, as our B&F representative, if he would like to serve on the Ad Hoc Committee. Trustee Salaveria stated it makes sense because it is important as trustees to understand what the implications of the unfunded liability is in terms of how we operate and how we respond.

Trustee Mossman expressed her concern because it is not clear to her whether it is the EUTF's liability. Our charge is really limited in terms of what the legislature's given us as our charge— one of the charges we do not have is dealing with the state's liability in this issue – we don't have the responsibility. That does not mean that it would not impact the EUTF and we do not have a strategy on how we deal with it around plan design and cost benefits. Ms. Coriell stated one of the major concerns is the amount that active employees are paying for their health plan. If the State is under pressure to fund the OPEB liability where is that money going to come from and what impact is that going to have on EUTF plans as a whole. It's important for the EUTF to look at the total picture and discuss it and have some kind of position because this is an employee/employer board and we are in a better position to look at the total picture possibly than other organizations. We do have some input on plan design. Mr. Tom Morrison stated it is like a 3 legged stool with respect to the liability. The EUTF is in total control of only one of those legs – and that happens to be what the plans cost. The other 2 - eligibility and contribution are all within the legislation or the employer side. What you do with plan design is going to flow through to the liability. The second issue is pre-funding or not pre-funding. In 7-12 years the retiree cash dwarfs the active on just a current pay as you go basis. The accountants came in and said with this line looking as it does – so big, you better pre-fund or else you are really not looking at the reality of what are you going to do when it gets that big. The State has already calculated one percentage of the per capita? is going to have to go fund that pay bill cost at some time in the future. It is a liability for a growing group of people. Anything you do in plan design can impact the liability directly and immediately. Trustee Salaveria stated that they looked at it and calculated \$100 million right now; it will be above a billion in 10 years. Implications of the liability growth and credit rating of the State is the impact that it has on borrowing ability. If our credit rating is impacted the State's borrowing will cost

more. We look at the statement of net assets right now since the introduction of GASB recognition of OPEB has dropped from \$5 billion net assets to \$1.8.

MOTION was made for the board to approve to form an Ad Hoc Investigative Committee to look into OPEB legislation and ask for volunteers (Salaveria/Fuddy) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

Trustees Linda Currivan Musto, Luis Salaveria, Clifford Uwayne has volunteered to serve on the Ad Hoc Investigative Committee. Trustee Audrey Hidano has been nominated by the Board to serve on the Ad Hoc Committee. [Trustee Fuddy left at 12:37 a.m.]

## VI. NEW BUSINESS

### A. Prescription Drug Rates for Non-Medicare and Medicare Retirees Effective January 1, 2013

Overview by Mr. Tom Morrison regarding the prescription drug rates for Non-Medicare and Medicare Retirees Effective January 1, 2013. For the EUTF plan the rate increase is approximately 10.8% or 9% depending on the rounding. For the HSTA VB, the under 65 rate is a 10.8% increase and the over 65, an 8.3% increase. These are rates that would be established and the administrative fees would be added combined with the medical plan or stand alone. Ms. Coriell is going to address the recommendation on the administrative fee which is not before the board at this particular time. The benefits consultant recommends the Board approved these rates as presented (see EUTF Monthly Retiree Rates from Segal dated 8/23/12). Discussion held by Trustees and benefits consultant regarding the reason to increase. Mr. Morrison stated it is utilization and that the EUTF was subsidizing the rates previously for the retirees and the actives for 2012. These rates have not been changed since January 1, 2012.

MOTION was made for the board to approve to the prescription drug rates for Non-Medicare and Medicare retirees effective January 1, 2013 as recommended and presented by the benefits consultant. (Salaveria/Nip) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

### B. Extension of SilverScript (Medicare Retirees) and CVS Caremark (Non-Medicare Retirees) Contracts January 1, 2013 to December 31, 2013

Overview by Mr. Morrison regarding the extension of SilverScript (Medicare Retirees) and CVS Caremark (Non-Medicare Retirees) Contracts January 1, 2013 to December 31, 2013. The benefits consultant recommends that the Board approve to take the option under the contract to extend SilverScript (Medicare Retirees) and CVS Caremark (Non-Medicare Retirees) contracts from January 1, 2013 to December 31, 2013.

MOTION was made for the Board to approve the option under the contract to extend SilverScript (Medicare Retirees) and CVS Caremark (Non-Medicare Retirees) contracts from January 1, 2013 to December 31, 2013 as recommended by the benefits consultant. (Mossman/Krieg). The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

C. Establish Cyber Risk Reserve

Ms. Barbara Coriell reported, at this time it is just an informational item that the EUTF will be including in the biennium budget for an amount of \$5 million to take out of our current unallotted reserves and labeling it "Cyber Risk Reserve". The EUTF will be sharing more data and enrollment data with various employer groups. The first one will be due to the HGEA project. Once it comes to the EUTF should something happen to that protected health information; the penalty first will come to the EUTF for any kind of data breach even if it could be caused by one of the employers. The EUTF is doing everything we can to prevent that, but the risk is there and is the Administrator suggested that there be an unallocated reserve right now as we are working on having cyber risk insurance in place. Even with that if we can already have a reserve that covers a chunk of the risk it could lower the premium.

VII. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE

A. September 25, 2012, 9:00 a.m. – Regular Board Meeting

Due to lack of quorum, the September 25, 2012 Board meeting is cancelled. The Administrative Secretary, Maria Quartero, will poll Trustees to confirm a meeting date.

VIII. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 12:50 p.m. for the reasons stated on the agenda. (Currivan Musto/Krieg) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

Executive Session adjourned at 1:28 p.m.

Chairperson Hirata reported that the Board has taken the following actions in Executive Session.

1. Approved Executive Session minutes for August 31, 2011, September 13, 2011, October 18, 2011, November 8, 2011, December 13, 2011 as amended, January 10, 2012, March 1, 2012, March 13, 2012, and March 29, 2012 as amended.
2. An Appeals Committee was set-up to review the retirees not enrolled in Medicare Part B appeals.
3. Denied appeal for reimbursement of retroactive premium.
4. Denied appeal for re-enrollment of medical coverage.
5. Approved appeal for late enrollment of newborn.

IX. ADJOURNMENT

There being no objections, the meeting adjourned at 1:41 p.m.

Respectfully submitted,

/s/

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Linda Currivan Musto, Secretary-Treasurer

APPROVED on December 11, 2012 as amended.

Documents Distributed:

1. EUTF Postemployment Benefits Other than Pensions (OPEB) 7/1/2011 Actuarial Valuation, Final Results – EUTF Board Briefing dated 8/28/12 by Aon. (15 pages)
2. EUTF OPEB Actuarial Valuation Study, Valuation Date 7/1/2011, Date of Report 6/30/2012 by Aon. (50 pages)
3. EUTF Update on Health Care Reform The Affordable Care Act, Pending Provisions for 2013 and Later dated 8/28/12 by Segal. (33 pages)
4. Draft Board Minutes of 7/10/12. (4 pages)
5. Draft Board Minutes of 8/2/12. (13 pages)
6. EUTF Contract/Leases List. (2 pages)
7. Memorandum to BOT from MSB Manager Regarding MSB Operations Report dated 8/28/12. (1 page)
8. Memorandum to BOT from IS Analyst Regarding August IT Operations Report dated 8/21/12. (9 pages)
9. Memorandum to BOT from Financial Management Officer Regarding Accounting Operations Report for 8/28/12 dated 8/21/12. (2 pages)
10. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2012 (Unaudited) dated 8/22/12. (2 pages)
11. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 12 Months Ended 6/30/12 (Unaudited) dated 8/22/11. (2 pages)
12. EUTF Statement of Cash Flows 12 Months Ended 6/30/12 (Unaudited) dated 8/22/12. (1 page)
13. EUTF Experience Accounting of Self-Funded Plans for FYE 6/30/2012 for 12 Months as of 6/30/12 dated 8/25/12. (9 pages)
14. Memorandum to BOT from Segal Regarding Early Retirees Reinsurance Program Summary (ERRP) dated 8/28/12. (3 pages)
15. EUTF Monthly Retiree Rates by Segal dated 8/23/12. (1 page)
16. Excerpt from HRS Chapter 87A-25 – Other duties. (1 page)
17. EUTF Statement of Delegation of Authority Adopted 7/9/2002. (1 page)