

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, January 29, 2013

TRUSTEES PRESENT

Mr. Dean Hirata, Chairperson	Ms. Karolyn Mossman
Ms. Barbara Krieg, Vice Chairperson (arrived 10:44 am)	Ms. Celeste Nip
Ms. Linda Currivan Musto, Secretary-Treasurer	Mr. Luis Salaveria
Ms. Loretta Fuddy	Mr. Clifford Uwaine
Ms. Audrey Hidano	Ms. Julia Zeghmi

TRUSTEES ABSENT: None

ATTORNEY

Mr. Kyle Chang, Deputy Attorney General

EUTF STAFF

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

OTHERS PRESENT

Ms. Sandra Benevides, CVS Caremark	Mr. Lloyd McDonald, SilverScript
Ms. Alison Brown-Carvalho, HDS	Mr. Dana Merry, CVS Caremark
Ms. Heather Dinsmore, CVS Caremark	Ms. Lynne Miura, Royal State
Ms. Monica Engle, VSP	Mr. Kurt Neuenfeld, CVS Caremark
Mr. Christian Fern, HMSA	Mr. Kimo Palakiko, HGEA Retiree
Mr. Mark Fukuhara, ABC LLC	Ms. Brenda Shiroma, Benefit Plan Solutions
Mr. Galen Haneda, HMSA	Mr. Rod Tam, Aon Consulting
Ms. Lauri Hunter, SilverScript	Mr. Troy Tomita, Kaiser Permanente
Ms. Diane Galo, CVS Caremark	Mr. Vaughn Tokashiki, HSTA-R
Mr. Brian Matsuura, GSK	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 10:15 a.m. by Trustee Dean Hirata, Chairperson, in the EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, January 29, 2013.

II. INTRODUCTION OF NEW BOARD MEMBER: JULIA ZEGHMI

Chair Hirata introduced and welcomed new Trustee Julia Zeghmi.

Ms. Barbara Coriell stated that an orientation will be scheduled for new Trustees. All Trustees are invited to attend. Due to the Sunshine Law, Mr. Kyle Chang will confirm if a Notice is required for the orientation.

III. MINUTES

A. October 23, 2012

The Board reviewed the draft minutes of October 23, 2012. Discussion held by Trustees that assignments/items listed on minutes for follow up will be addressed today.

MOTION was made for the Board to approve the minutes of October 23, 2012 as circulated. (Salaveria/Mossman) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

B. December 11, 2012

The Board reviewed the draft minutes of December 11, 2012.

MOTION was made for the Board to approve the minutes of December 11, 2012 as circulated. (Curriuan Musto/Salaveria) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

IV. OLD BUSINESS

A. Report on CVS Transition (Caremark and SilverScript)

Ms. Sandra Benevides introduced the other team members from CVS Caremark and SilverScript. Mr. Dana Merry, Ms. Diane Galo, Ms. Lloyd McDonald, Ms. Lauri Hunter, and Mr. Kurt Neuenfeld. Ms. Gallo reported that they are prepared to address any outstanding/pending issues or questions the Trustees may have. Discussion held by Trustees, CVS Caremark and Christian Fern from HMSA regarding two (2) letters that HMSA sent to members about the prescription drug transition that did not apply to EUTF members and ID cards that caused confusion. Ms. Benevides stated that there has been a resolution to that issue. Mr. Fern reported that the first letter that should not have been sent to EUTF members and that is why HMSA sent a second letter. Discussion held by Trustees and Mr. Fern regarding the amount of letters that were sent to was approximately 60,000 EUTF members. Trustees expressed concerns about the costs to send two (2) letters, costs for new cards, confusion to members, questions when any carrier asks for rate increases, and how to avoid this situation from happening again. Ms. Benevides stated that she and the CVS Caremark team are working with HMSA to prevent this type of situation from occurring again. Discussion held by Trustees and Ms. Benevides on what has changed in the process, who has final authority before information is sent, and what CVS Caremark is committed to do going forward so that everyone is on the same page before communication is sent out. Ms. Benevides stated that she and the CVS Caremark team are committed to working with HMSA to avoid this type of situation that would have a negative effect on EUTF members. Monthly meetings and calls will be held with HMSA and the EUTF will be made aware before information is sent. Discussion held by Trustees and Mr. Fern from HMSA if HMSA collaborated with CVS Caremark before the letters were sent. Mr. Fern stated that the attachment (ID card) to the first letter was correct but the information in the letter was incorrect.

Before the second letter was sent, HMSA collaborated with CVS Caremark and the EUTF. Discussion held by Trustees, CVS Caremark, and HMSA how files were merged and if there are any privacy issues the Board should be concerned with. Mr. Lloyd McDonald stated that files were not merged because it was two separate eligibility files. Trustee Mossman stated that is not what she is asking and clarified if the EUTF member files got merged with the rest of HMSA's members that were affected by the prescription drug carrier change and if there was a breach of confidentiality. Mr. Fern explained the limited Rx coverage for EUTF members and ID cards. HMSA used their own files and sent ID cards to all HMSA members. Discussion held by Trustees and benefits consultant regarding a letter sent on December 12, 2012 on specialty drugs. Trustee Mossman requested information on why there was difficulty with the specialty drug co-payment for the HSTA VB drug benefit. Mr. Tom Morrison explained that the information was not conveyed to the bidders in the Request for Proposals (RFP). Mechanically, when CVS Caremark assumed the drug coverage, it was being administered according to their standard rules on how they treated specialty drug medication with co-insurance. Discussion held by Trustees and CVS Caremark/SilverScript on the significant outstanding/pending issues and what are CVS Caremark/SilverScript's timetable in resolving these issues. Ms. Benevides stated: (1) that the enrollment issues are resolved, everyone is enrolled; (2) working with EUTF and Vitech and pending the estimate, timeline, and date; CVS Caremark would be able to get it done by April 2013 if all information is received by the following week; and (3) EGWP Wrap by April 2013. Discussion held by Trustees and CVS Caremark if this plan of action and anticipated completion of April 2013 is different from what has been occurring since the eligibility problem has been ongoing for quite some time. Ms. Benevides stated that she is very confident that the 834 file changes will resolve 80% of the file issues and with the EGWP Wrap that will resolve the remaining issues. Discussion held by Trustees and staff if Vitech concurs and just needs to research what needs to be done on their side. Ms. Coriell stated that Vitech knows what needs to be done, has turned over the specifics of the programming to the developer and Vitech anticipates it will take 6 weeks. These are major program changes to our 834 Eligibility file for enrollment that is supposed to be common among carriers so everyone understands but apparently it is not. Testing will need to be done before putting it into production. This would resolve CVS's ability to integrate some of the enrollment files. Discussion held by Trustees and CVS Caremark regarding concerns about services from pharmacies when members are traveling. CVS Caremark will follow-up. Mr. Morrison asked, in respect to the proposal that CVS Caremark presented to the EUTF, including the EGWP plan and the active commercial contract, there were certain implementation credits and allowances into the proposal responses as well as the performance guarantee metric as we have now evaluated as being rather rocky, CVS Caremark is at risk for certain financial penalties. Has CVS Caremark done a calculation as to: (1) what the performance penalty owed to the EUTF for the transition; and (2) the full extent of the implementation dollars that are owed to the EUTF, other than those CVS Caremark is paying directly for expenses in

implementing the plan and transition to CVS Caremark. Mr. Dana Merry stated there is a process for that. CVS Caremark will need feedback from EUTF and there is a survey tool that will be completed by the EUTF and will allow CVS Caremark to know EUTF's interpretation of the implementation. It was stated that there was uncertainty whether EUTF was given the survey to complete. Mr. Morrison asked what would be the maximum dollar amount. Mr. Merry stated he does not know but will get that information. Mr. Morrison stated he thinks it is approximately \$1.4 million for the implementation transition performance guarantee and a \$1.2 million for the implementation credit, for a total of \$2.6 million. Mr. Merry clarified that the implementation credit is not an at risk but an actual expense. Mr. Morrison stated as part of that, the programming is necessary and hopes CVS Caremark/SilverScript is not charging EUTF for all the extra mailings. There have also been unexplained mailings that CVS cannot explain which have gone out to retirees, such as coverage has been terminated or you are enrolled in a Part D so you are disenrolled, and that mailings have gone to other customers too. Ms. Diane Galo was asked if they have identified the problem and what safeguards have been put in place to prevent EUTF members from getting any kind of inexplicable mailings. Ms. Galo stated Mr. Morrison is correct, she is aware of these issues, and Mr. Lloyd McDonald will explain what generated those mailings. Mr. McDonald stated that the root cause was a programming problem and explained what happened. It has been remediated by programming changes to make sure files are identified correctly going forward. Discussion held by staff and CVS Caremark/SilverScript that issues with SilverScript were largely due to the difficulty of splitting families when both husband and wife are not on Medicare the same time and with the change in the EGWP wrap can the EUTF be assured that that problem will go away. Mr. McDonald stated the teams are working very closely with the EUTF staff and Vitech in taking the steps to smooth it out to prevent those things from happening in the future. Mr. McDonald is comfortable that they are on the right track with the cooperation of working closely with the EUTF and got the issues identified to put the issues to rest. Trustee Hidano clarified that Ms. Diane Galo was aware of all these issues and asked her if there are any other issues the Trustees should know about. Ms. Galo stated no, there is a significant effort going on now. Discussion held by Trustees, staff and CVS Caremark regarding the implementation survey. Ms. Coriell stated she did receive an e-mail with the implementation survey but did not feel the implementation was resolved yet and asked if CVS Caremark could resend the survey. Trustee Hidano asked if there is a timeline and asked Mr. Morrison to follow-up because she is concerned it will get buried again and that the EUTF should receive any monies owed. Chair Hirata stated from what he heard today, these issues are close to being resolved and the Board expects resolution by April with the assumption that Vitech will provide the information in the next 6 weeks. Discussion held by staff and member of the public, Mr. Kimo Palakiko, regarding program changes to add more data fields for the file to handle splitting of families. Mr. Vaughn Tokashiki, member of the public, thanked the Board for addressing and resolving these issues because retirees have experienced all of these issues and are very upset.

V. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 11:00 a.m. for the reasons stated on the agenda. (Hidano/Curriivan Musto) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Executive Session adjourned at 1:40 p.m.

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

1. Approval to extend Bank of Hawaii contract for the period February 23, 2013 to February 22, 2015.
2. Approval to extend fully insured contracts for HMSA, Kaiser, HDS, Royal State, and VSP for actives for the period July 1, 2013 to June 30, 2014 at the rates recommended by the benefits consultant.
3. Denial of Appeal of 50% retiree requesting 100% premium.
4. Approval of five (5) Appeals of late enrollment of newborns.
5. Denial of Appeal of payment of excluded claim expense.
6. Approval of Appeal of late enrollment application effective July 24, 2012.

VI. NEW BUSINESS

A. CVS Caremark Contract Renewal for Active Employees Self-Funded Prescription Drug Plan – July 1, 2013

Overview by Mr. Tom Morrison regarding the recommended self-funded prescription drug rates for actives for the period 2013-2014 that were distributed to the Trustees. The benefits consultant recommends the approval of the combined rates of the self-funded prescription drug rates for actives for the period 2013-2014 (see attached rates).

MOTION was made for the Board to approve the combined rates of the self-funded prescription drug rates for actives for the period 2013-2014 as recommended by the benefits consultant. (Mossman/Nip) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Due to lack of quorum, the following items are deferred until the next Board meeting.

- B. EUTF Fund Unallocated Reserve Status and Potential Application
- C. Appointment of Investment Committee Members
- D. Other Upcoming Contract Renewals – Approval to Refer to Committees
 1. Pension Consulting Alliance – May 16, 2013
 2. Segal – July 1, 2013
- E. Transfer of Other Post Employment (OPEB) Committee Responsibilities to Benefits Committee

VII. REPORTS

A. Administrator

1. Biennium Budget Updates
2. EUTF Project Schedule: Review of 2012; Schedule for 2013
3. EUTF Proposed Legislation (BUF15) Status Update
4. Direct Deposit Cleanup
5. Medicare Death Validation Project Status Update
6. Meetings Attended

B. EUTF Managers' Operational Reports

1. Member Services Branch (MSB)
 - a. MSB Data Update
 - b. MSB Staffing Level Update
2. Information Technology (IT)
 - a. Prescription Drug Transition – Active Employees and Non-Medicare Retirees
 - b. Prescription Drug Transition – Medicare Retirees
 - c. Employer-Provided Health Coverage Reporting – Form W-2 for 2012
 - d. 1099-Misc Forms
 - e. IT Position Vacancy
 - f. Enrollment Counts
 - g. 100% Employer Contribution of the Base Monthly Contribution (BMC) Cap
 - h. Medicare Part B Reimbursements (4th Quarter, 2011, 4th Quarter 2012 and Projected 1st Quarter 2013)
3. Accounting
 - a. Bank of Hawaii
 - b. Financial Audit for FY 2012
 - c. Personnel for Accounting
 - d. Financial Statement as of November 30, 2012

C. Segal – Benefits Consultant Report

1. Affordable Care Act Update
2. Formulary Changes When CVS Became Pharmacy Benefit Manager
3. Quarterly Financial Report

D. Carrier Reports

1. CVS Caremark
2. SilverScript
3. Hawaii Dental Service (HDS)
4. Hawaii Medical Service Association (HMSA)
5. Kaiser Health Foundation
6. Royal State Insurance
7. Vision Service Plan (VSP)

VIII. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE

- A. February 26, 2013, 9:00 a.m. – Regular Board Meeting

IX. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 1:45 p.m.

Respectfully submitted,

/s/

Linda Currivan Musto, Secretary-Treasurer

APPROVED on February 26, 2013 as amended.

Documents Distributed:

1. Draft Board Minutes of October 23, 2012. (9 pages)
2. Draft Board Minutes of December 1, 2012. (8 pages)
3. Letter to Administrator from CVS Caremark Regarding Service Issues dated 16/6/12. (2 pages)
4. CVS Caremark Listing of Management Staff. (1 page)
5. Memorandum to BOT from Administrator Regarding EUTF Surplus 2013 dated 1/24/13. (2 pages)
6. Memorandum to BOT from Administrator Regarding EUTF Administrator's Report – 1/29/13. (2 pages)
7. EUTF Special Projects 2012 – Status 1/29/2013. (2 pages)
8. EUTF Projects for 2013 dated 1/29/13. (2 pages)
9. Memorandum to BOT from MSB Manager Regarding MSB Operations Report dated 1/13/13. (1 page)
10. Memorandum to BOT from IS Analyst Regarding January IT Operations Report dated 1/22/13. (9 pages)
11. Memorandum to BOT from Financial Management Officer Regarding Accounting Operations Report for 1/29/13 dated 1/23/13. (1 page)
12. EUTF State of Hawaii Annual Financial Report, 2/30/12 and 2011 by MGO. (60 pages)
13. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2012 (Unaudited) for Current Month 11/30/12 dated 1/8/13. (2 pages)
14. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 5 Months Ended 11/30/12 (Unaudited) dated 1/17/12. (2 pages)
15. EUTF Statement of Cash Flows 5 Months Ended 11/30/12 (Unaudited) dated 1/17/13. (1 page)
16. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2012 (Unaudited) for Current Month 10/31/12 dated 12/3/12. (2 pages)
17. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 4 Months Ended 10/31/12 (Unaudited) dated 12/31/12. (2 pages)

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18. EUTF Statement of Cash Flows 4 Months Ended 10/31/12 (Unaudited) dated 1/24/13. (1 page)
19. Experience Accounting of CVS Caremark Actives Self-Funded Plans Summary of FYE 6/30/2013 dated 1/25/13. (1 page)
20. Experience Accounting of SilverScript Medicare & CVS Caremark Non-Medicare Retirees Self-Funded Plans Summary of FYE 6/30/2013 dated 1/25/13. (1 page)
21. EUTF Annual Plan Experience Report Calendar YTD through September 2012 by Segal dated 1/29/13. (121 pages)
22. EUTF 2013/2014 Prescription Drug Monthly Rates as Recommended by Segal dated 1/17/13. (1 page)
23. Affordable Care Act Timeline dated 11/26/12 by The Segal Company. (2 pages)
24. Segal Capital Checkup dated 11/20/12. (3 pages)
25. EUTF Quarterly Report for 1/2012-9/2012 by HMSA dated 10/30/12 submitted by Segal. (14 pages)
26. EUTF Statement of Delegation of Authority Adopted 7/9/2002. (1 page)