



ANNUAL REPORT

FISCAL YEAR 2007-08

**Hawaii Employer-Union Health Benefits Trust Fund
State of Hawaii**

December 2008

This report presents an overview of the activities of the Hawaii Employer-Union Health Benefits Trust Fund (“EUTF”) for the fiscal year 2007 - 2008. The EUTF is administratively attached to the Department of Budget and Finance. The EUTF’s office is located at Suite 1520, City Financial Tower, Honolulu, Hawaii.

OVERVIEW

Chapter 87A of the Hawaii Revised Statutes established a trust fund known as the Hawaii Employer-Union Health Benefits Trust Fund. The EUTF is the state agency that provides eligible state and county employees and retirees and their eligible dependents with health and life insurance benefits. The EUTF replaced the Hawaii Public Employees Health Fund (“PEHF”), effective July 1, 2003.

TRUST FUND ORGANIZATION

Board of Trustees

The EUTF is administered by a board of trustees (“Board”). The Board is responsible for determining the nature and scope of the benefit plans offered, negotiating and entering into contracts with insurance carriers and plan administrators, establishing eligibility criteria and management policies for the EUTF, and overseeing all EUTF activities.

There are ten trustees, five representing the public employers and five representing employee-beneficiaries, including a retiree representative. The current trustees are shown below:

Employer Trustees

- Barbara Annis
- Darwin Ching
- Marie Laderta
- Lawrence Reifurth
- Stanley Shiraki

Employee-Beneficiary Trustees

- Carl Daeufer, Retirees
- Guy Fujio, HFFA
- Elizabeth Ho, AFSCME
- George Kahoohanohano, SHOPO
- John Radcliffe, UHPA

Board officers currently are Marie Laderta, Chairperson, Barbara Annis, Vice-Chairperson and Elizabeth Ho, Secretary-Treasurer. The officers serve a one-year term beginning July 1 of each year.

During the period covered by this report, the Board has used both standing and temporary committees to facilitate its administration of the EUTF. The two standing committees are the Administrative Committee and the Benefits Committee. The Administrative Committee considers matters pertaining to the administration and operation of the EUTF, e.g., development of budget, organization of staff, setting of personnel policies, evaluation of EUTF systems, and consideration of use of third party administration services. The Benefits Committee considers matters pertaining to the design and procurement of the EUTF’s health and life insurance benefit plans.

Administrator and Staff

The day-to-day administration of the EUTF is managed by an administrator who reports to and is responsible to the Board. The administrator is James Williams who was hired in November 2004. The EUTF administrator and new staff positions are exempt from civil service.

The administrator is assisted in managing the EUTF by an assistant administrator, a financial management officer, and an information systems analyst. EUTF staff has a total of 35 employees (including management staff and the Administrator).

The EUTF has three branches: the Financial Services Branch, Information Systems Branch, and Member Services Branch. A health benefits program manager oversees the Member Services Branch and is supported by employees assigned to customer service duties that include answering phones and e-mails from members and handling all processing for retirees and the other employees process all active employee enrollment submissions. The financial management officer is supported by two accountants and three account clerks, who reconcile employee accounts, collect employer/employee contributions for health benefits and process all payments. The EUTF information systems analyst provides internal IT support services, fulfills HIPAA security responsibilities, coordinates additional support services provided by DAGS/ICSD, is the project manager for the new benefits administration system implementation (BAS) project and is supported by one IS specialist.

Advisors and Consultants

The Board utilized the services of Aon Consulting as its benefits plan consultant effective June 28, 2007. A request for proposal for benefit plan consulting services was issued in March 2007 and the contract was awarded to Aon Consulting in June 2007 with an effective contract start date of June 28, 2007. Aon Consulting is among the top global human capital and management consulting firms, providing a complete array of consulting, outsourcing and insurance brokerage services. The Honolulu office staffed by 11 consultants and support staff focuses on the delivery of employee benefit programs consistent with Hawaii statutes. Aon's contract is through June 30, 2009 with an option to extend the Contract for two years from July 1, 2009 through June 30, 2011.

The Board also has employed professional consultants and advisors on certain specific issues of importance to the EUTF. Business Solutions Technologies (BST) was retained to assist the EUTF with on-going support of the PeopleSoft health fund information management system (PeopleSoft/HFIMS) and assist as technical subject matter experts for implementing the new BAS. Vitech Systems Group, Inc. was selected to implement a new benefits administration system. This system will replace the PeopleSoft/HFIMS. Gartner, Inc. is providing project oversight and assessment over the implementation of the new benefits administration system. In addition, an advisor seat was purchased from Gartner, Inc which offers a cost-effective way for EUTF to obtain valuable technical research, information and reports to support critical information technology needs. .

ADMINISTRATIVE RULES

The EUTF operates according to administrative rules originally adopted in February 2003. The administrative rules were formulated to meet the requirements of Chapter 87A, Hawaii Revised Statutes, and the health and other benefit plans established by the EUTF. In addition, they were designed to increase administrative efficiencies and reduce the EUTF's administrative costs. For example, the rules set the effective dates for initial enrollments, changes in enrollment, and cancellations of enrollment in the EUTF's health benefit plans so as to facilitate automated handling of such activities. After a general review by the staff and Board, the administrative rules were revised in December 2007.

HEALTH AND LIFE INSURANCE BENEFIT PLANS

During fiscal year 2007-2008, the EUTF provided health and life insurance benefits through contracts with the following organizations:

- ◆ Hawaii Medical Service Association (HMSA)
- ◆ Health Management Associates (HMA)
- ◆ Kaiser Permanente (Kaiser)
- ◆ National Medical Health Card Systems, Inc (NMHC)
- ◆ Hawaii Dental Service (HDS)
- ◆ Vision Service Plan (VSP)
- ◆ Royal State National Insurance Company, Ltd./ChiroPlan Hawaii, Inc. (ChiroPlan)
- ◆ Royal State National Insurance Company, Ltd. (Royal State)
- ◆ Standard Insurance Company (Standard)

During fiscal year 2007-2008 the EUTF introduced several new medical plan options for both employees and retirees. HMSA and HMA provided Preferred Provider Option (PPO) plans for both employees and retirees. The Kaiser Comprehensive Option HMO plan remained available for both employees and retirees. Two additional HMO medical plans were added for active employees, a Kaiser Basic Option HMO medical plan and an HMSA HMO medical plan. A new plan, the HMSA High Deductible Health Plan, was introduced for active employees. The supplemental plans offered by HMSA and Royal State National remained the same. HDS and VSP provided the regular dental and vision plans respectively for active employees and the regular dental and vision plans for retirees. The supplemental plans for both dental (HDS) and vision (VSP) were dropped due to lack of participation. Standard Life Insurance won the contract for the insurance plan, replacing Aetna, for active employees and retirees. Contracts with these organizations expire on June 30, 2009.

For both active employees and retirees, the health benefit plans provided by the EUTF during the fiscal year were available to domestic partners and full-time students up to the age of 24. No additional premium was required for student coverage under the family option. Active employees also received chiropractic benefits through ChiroPlan Hawaii which was offered in combination with any of the medical plans offered.

All active employees who have medical coverage through private sector or federal government plans were eligible to enroll in either of two Supplemental Medical Plans. The Royal State National Insurance Company, Ltd offered a dual coverage medical reimbursement plan, and HMSA offered a fee-for-service dual coverage plan.

The table below shows active employees' enrollment as of June 30, 2008.

Type of Benefit Plans	Type of Coverage			Grand Total
	Self	Two-Party	Family	
MEDICAL - Self Funded				
PPO				
Health Management Associates	308	94	134	536
Hawaii Medical Service Association	17,081	5,204	9,952	32,237
High Deductible Health Plan (HDHP)				
Hawaii Medical Service Association	71	12	16	99
Supplemental				
Hawaii Medical Service Association	268	160	277	705
Royal State National	111	118	249	478
HMO				
Hawaii Medical Service Association	766	269	377	1,412
MEDICAL - Fully Insured				
Kaiser Comprehensive	4,591	1,457	2,348	8,396
Kaiser Basic	131	40	48	219
Total Enrolled				44,082
Waived				10,600
TOTAL MEDICAL				54,683
PRESCRIPTION DRUGS - Self Funded				
National Medical Health Card				
Prescription Drug Only	52	41	58	151
With PPO Plans	17,389	5,298	10,086	32,773
With Dual Plans	268	160	277	705
TOTAL PRESCRIPTION DRUGS				33,629
DENTAL				
Hawaii Dental Service	21,696	9,054	15,637	46,387
Waived				8,286
TOTAL DENTAL				54,673
VISION				
Vision Services Plan	21,562	8,131	14,319	44,012
Waived				10,684
TOTAL VISION				54,696
LIFE INSURANCE				
Standard Life Insurance				54,636
Waived				197
TOTAL LIFE INSURANCE				54,833

The table below shows retirees' enrollment as of June 30, 2008

Type of Benefit Plans	Type of Coverage			Grand Total
	Self	Two-Party	Family	
MEDICAL - Self Funded				
PPO				
HMA Non-Medicare	1	9	2	12
HMA With Medicare	5	7	0	12
HMSA Non-Medicare	3,066	3,414	1,062	7,542
HMSA With Medicare	13,594	7,826	423	21,843
HMO				
Kaiser Non-Medicare	764	702	225	1,691
Kaiser With Medicare	3,188	1,543	111	4,842
Kaiser Out of State	89	54	1	144
Total Enrolled				36,086
Waived				802
TOTAL MEDICAL				36,888
PRESCRIPTION DRUGS - Self Funded				
National Medical Health Card				
Non-Medicare	3,067	3,423	1,064	7,554
Medicare Part D	13,549	7,772	422	21,743
Waived				104
TOTAL PRESCRIPTION DRUGS				29,401
DENTAL				
Hawaii Dental Service	20,612	13,399	1,715	35,726
Waived				1,161
TOTAL DENTAL				36,887
VISION				
Vision Services Plan	20,551	13,628	1,831	36,010
Waived				879
TOTAL VISION				36,889
LIFE INSURANCE				
Standard Life Insurance				31,994
Waived				76
TOTAL LIFE INSURANCE				32,070

OPERATIONS

During fiscal year 2007, the EUTF implemented several major policy and program changes as follows:

- Changed Prescription Drug carriers from HMSA to NMHC (July 1, 2007)
- Implemented four new Medical plans (two HMO, one PPO and one HDHP plans effective July 1, 2007)
- Implemented the EUTF self-funded health plans
- Selected ViTech's V3 BAS software to replace the PeopleSoft benefits administration system
- Dropped the supplemental (dual) dental and vision plans

These implementations challenged EUTF resources, staff capabilities and communications processes.

Ongoing Programs and General Operations

The EUTF participates with the major State departments and counties which host pre-retirement, orientation and other informational sessions during the year. Over 3,400 interested employees attended these sessions. The EUTF continued the program to provide on-site retirement counseling in conjunction with the Employee Retirement System's periodic group retirement counseling sessions. During these sessions, the employee receives counseling from the EUTF staff on their retirement health and life insurance benefits.

During FY2008, the EUTF Customer Service staff faced significant challenges that resulted from the programs noted above. From July 1, 2007 – June 30, 2008, the EUTF Customer Service line received over 53,433 incoming telephone calls. In addition, the Customer Service staff made 17,275 outgoing calls. To address the volume of calls, a new, more efficient automated call distribution system was implemented in March 2008. The results have been significant. During the first 8 ½ months of the fiscal year, the EUTF was able to answer less than 60% of all incoming calls. Since the implementation, the EUTF Customer service section has been able to answer over 93% of all incoming calls. This has provided the EUTF functionality to route calls more efficiently. The additional types of plans and the implementation of the Medicare Part D Prescription Drugs plan had a significant impact on the types of calls received by the EUTF. The number of outgoing calls increased significantly due to the complexity of the questions and inquiries fielded.

In addition, the same staff processed over 15,600 retiree enrollment-related forms, processed, printed and mailed over 6,800 COBRA election notices, 5350 COBRA initial notices, 3,000 COBRA related notices, 20,000 confirmation notices, 6,000 retiree related notices and other project notices or letters such as the special enrollment and responses to retiree requests.

The Enrollment staff received and imaged 56,437 documents during FY2008. Of the documents received and imaged, the staff processed all but 3,583 documents for a completion rate of 94% by July 2008. Enrollment related documents which affected an employee or retiree's benefit plans or coverage total nearly 73% of all documents submitted. Other documents dealt with change of address, correction or clarification of data submitted, removal of dependents from plans and other miscellaneous categories.

The FY 2009 Open Enrollment for active employees was held from April 14, 2008 to May 14, 2008. The EUTF staff conducted 12 training sessions on the four major islands which were attended by over 350 personnel and financial officers. From April 14 – May 16, 2008, 43 open enrollment informational sessions for employees were held on the four major islands plus Molokai and Lanai. About 2,500 employees attended these sessions. Even with the minor changes from the previous year, the EUTF received and processed nearly 9,700 open enrollment changes from the active employees.

In order to better synchronize with the Medicare Part D open enrollment period held in November/December of each year, the open enrollment for EUTF retirees was not held in the spring of 2008 and will be held in fall 2008 to precede Medicare's open enrollment.

FISCAL YEAR 2008

During FY 2008, the EUTF collected \$551,754,581, in employer and employee contributions for health benefit plans and paid carriers \$511,378,717 in premiums. Medicare Part B reimbursements paid to retirees amounted to \$40,948,023. The above amounts are presented on an accrual basis and do not include retrospective premium amounts of approximately \$2.7 million due to HDS and VSP and incurred but not reported expenses in the amount of approximately \$35.4 for the self-funded plans.

An annual audit of the EUTF, as required by Chapter 87A-25(2), was conducted for the plan year July 1, 2007 through June 30, 2008 by Grant Thornton LLP. This audit report includes Government Accounting Standards Board Statement No. 43 (GASB 43), Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans. The EUTF financial reports as presented in the Audit Report were approved by the EUTF Board of Trustees on December 8, 2008 and are attached to and incorporated in this report.