

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, February 26, 2013

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 1:35 pm)	Mr. Clifford Uwaine (arrived 9:40 am)
Ms. Audrey Hidano	Ms. Julia Zeghmi

TRUSTEES ABSENT: None

ATTORNEY

Mr. Kyle Chang, Deputy Attorney General

EUTF STAFF

Ms. Sandra Yahiro, Acting Administrator	Mr. Tom Morrison, Benefits Consultant
Ms. Donna Tonaki, Assistant Administrator (TA)	Ms. Kathleen Shiroma
Ms. Maria Quartero	Ms. Nicole Wong
Ms. Bonny Kahalewai	

OTHERS PRESENT

Ms. Sandra Benevides, CVS Caremark	Ms. Mae Kishimoto, HSTA-R
Ms. Heather Dinsmore, CVS Caremark	Ms. Lynne Miura, Royal State
Ms. Monica Engle, VSP	Ms. Lori Nishimura, C&C HR
Mr. Christian Fern, HMSA	Mr. Larry Nishihara, ABC LLC
Mr. Corey Fujii, Pharmacare	Mr. Kimo Palakiko, HGEA Retiree
Ms. Elaine Fujiwara, HDS	Ms. Brenda Shiroma, Benefit Plan Solutions
Mr. Mark Fukuhara, ABC LLC	Mr. Troy Tomita, Kaiser Permanente
Ms. Keiko Hiraoka, Lilly	Mr. Vaughn Tokashiki, HSTA-R
Ms. Lauri Hunter, CVS Caremark/SilverScript	Ms. Caroline Walsh, MGO
Ms. Linda Hurley, MGO	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:02 a.m. by Trustee Dean Hirata, Chairperson, in the EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, February 26, 2013.

Chair Hirata called on Trustee Hidano to make a statement to the members of the public. Trustee Hidano stated she just became aware of certain situations that the prior administrator told certain vendor(s) things that the Board was not aware of. The Board appreciates and thanked the EUTF staff for their assistance and patience. Moving forward, during Board meetings, the audience (members of the public and vendors) are welcome to ask questions/clarifications and give comments/feedback to help move the

Trust Fund forward to better serve the State of Hawaii. More importantly, to serve our constituents.

II. MINUTES

A. January 29, 2013

The Board reviewed the draft minutes of January 29, 2013. Discussion held by Trustees and benefits consultant regarding page 3, lines 11-12, to add language for Trustee Mossman's statement to correspond to Mr. Morrison's response. The minutes will be amended as follows: (1) page 3, lines 11, after ...drugs., add sentence "Trustee Mossman requested information on why there was difficulty with the specialty drug co-payment for the HSTA VB drug benefit."

B. MOTION was made for the Board to approve the minutes of January 29, 2013 as amended. (Mossman/Currivan Musto) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

III. OLD BUSINESS

1. EGWP Wrap Plan Discussion

Ms. Sandra Yahiro clarified and explained the main affect that the EGWP Wrap Plan would have on EGWP retirees when it is implemented effective April 1, 2013 (as approved by the Board in December 2012), as the Board may not have fully understood the full impact to 4,700 EGWP retirees at that time. There was some discussion at the December 2012 meeting of a figure of about 15% of EGWP retirees (translates to roughly 4,700 EGWP retirees) that may have some kind of negative effect because of the EGWP Wrap. Ms. Yahiro explained the effect of the "donut hole" in the eyes of Medicare (notably, the EUTF plan does not have a "donut hole"). After 2011, if a retiree was paying a co-payment of \$30 prior to the donut hole, when they hit the donut hole they would pay only \$15. When the EGWP Wrap is implemented these 4,700 EGWP retirees would not get that benefit.

Mr. Tom Morrison stated even if the Board did not change to the EGWP Wrap, starting calendar year 2012, those affected retirees would lose that 50% co-pay discount until they again hit the donut hole. The impacted retirees do not know until they hit the donut hole again until much later in the year when they have expenses that hit that donut hole. Ms. Yahiro stated the 15% figure equates to approximately 4,700 was given to the EUTF by CVS Caremark of those who hit the donut hole in 2012. Discussion held by Trustees and staff regarding the positives outweighed the negatives when the Board approved the implementation of the EGWP Wrap in December, the implementation date of April 1, 2013, and correspondence from EUTF and CVS Caremark have been sent to Medicare retirees.

IV. NEW BUSINESS

A. Appointment of Investment Committee Members

Chair Hirata stated that the Investment Committee needs two volunteers from the Employee-beneficiaries Trustees. Trustees Linda Currivan Musto and Celeste Nip volunteered to serve on the Investment Committee.

B. Report From Investment Consultant, Pension Consulting Alliance (PCA)

1. Quarterly Performance Report

Overview by Ms. Kay Cesarani and Mr. Neil Rue from PCA regarding the EUTF Quarterly Report Executive Summary for December 2012 (see report dated 2/8/13). At the request of Trustee Hidano, PCA will change color codes to be consistent with all other reports that PCA submits to the Board. Discussion held by Trustees, Ms. Cesarani, and Mr. Rue to include the segment listed on page 9 to match on page 8 of all future reports. Further discussion by Trustees, Ms. Cesarani, and Mr. Rue regarding page 11 (Manager/Fund Fee Analysis) of the report, what are the total dollar amounts, in future reports to show the dollar amounts with the basis points, and that the Investment Committee reviews investments and makes recommendations to the Board. Procurement for Investment Managers is exempted but reviewed by the Investment Consultant. Mr. Rue stated that the total annual fee is approximately \$420,000 a year which is very low.

2. Revision to Statement of Investment Policies and Guidelines Regarding Rebalancing Ranges

Overview by Ms. Kay Cesarani regarding the rebalancing ranges as recommended by the Investment Consultant. Note: The Investment Committee recommended that the Board approve the rebalancing ranges at the meeting on March 20, 2012 (see Memorandum to EUTF dated 3/9/12).

MOTION was made for the Board to approve the rebalancing ranges and revisions to the Statement of Investment Policies & Guidelines regarding rebalancing ranges as recommended by the Investment Consultant.

(Krieg/Fuddy) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

C. Presentation from Macias, Gini & O'Connell (MGO) Regarding June 30, 2012 Financial Audit

The EUTF Annual Financial Report June 30, 2012 and 2011 was distributed to the Board at the Board meeting on 1/29/13. Ms. Linda Hurley of MGO reported that they are in the final stages of issuing the "Report to the Board of Trustees For the Year Ended June 30, 2012" and will give a verbal update later. The final Communications report will be distributed to the Trustees at the next Board meeting. Overview by Ms. Linda Hurley of MGO regarding the EUTF Annual Financial Report June 30, 2012 and 2011 (see report). Ms. Hurley stated that MGO issued an unqualified opinion which is the highest level of assurance they can provide in accordance with Government Auditing Standards, in other words it is a clean opinion. Discussion held

by Trustees and Ms. Hurley regarding the recording of OPEB funds on page 50 of the report, 2010-12 Risk Assessment and Financial Reporting on page 59 of the report and why the EUTF has not performed a comprehensive risk assessment analysis. [Trustee Uwaine arrived at 9:40 a.m.] Ms. Sandra Yahiro stated that the EUTF started the analysis and will resume on March 22, 2013. The EUTF staff will add this item to the EUTF project list and also on the Accounting Manager's report to the Board. Discussion held by Trustees and Ms. Hurley regarding the administrative fees on page 5 of the report. Overview by Ms. Hurley regarding the "Report to the Board of Trustees For the Year Ended June 30, 2012". Discussion held by Trustees and Ms. Hurley regarding uncorrected exceptions on page 4 of the report, that it was not a Vitech technology system problem, but it was a process problem within the system regarding a glitch in the Medicare D enrollments and pre-populated event date.

D. EUTF-Related Legislation

Overview by Ms. Sandra Yahiro regarding EUTF related bills (see list dated 2/25/13). Trustee Mossman requested that vendors participate in discussion on bills if they have any guidance for the Board. Discussion held by Trustees, staff, benefits consultant, deputy attorney general, and vendors regarding the EUTF related bills (HB0065, HD1-Prescription Drugs, Mail Order, Opt-Out; HB0546, HD1-EUTF, Alternative Payment Models, Appropriation; HB1173-Collective Bargaining, EUTF; HB1174, HD1-EUTF Employer Contributions; HB1177-EUTF, Procurement, Fiduciary Duties, Board Composition, Vacancies, Legal Adviser, Quorum, Fund Administration; HB1439-Vital Records, Reporting Deaths to State Agencies; and SB0946-EUTF, Trust Fund Annual Required Distribution , OPEB).

MOTION was made for the Board to oppose and submit comments for HB0065, HD1- Prescription Drugs, Mail Order, Opt-Out. (Krieg/Fuddy) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

MOTION was made for the Board to oppose and submit comments to include moving away from fee for services for HB0546, HD1- EUTF, Alternative Payment Models, Appropriation. (Mossman/Krieg) After discussion by the Trustees, the motion failed. (Employer Trustees-2 YES-Hidano, Krieg; 3 NO-Fuddy, Hirata, Salaveria/Employee-Beneficiary Trustees-5 YES-Currivan Musto, Mossman, Nip, Uwaine, Zeghmi)

MOTION was made for the Board to oppose and support the intent of HB0546, HD1-EUTF, Alternative Payment Models, Appropriation and submit comments relaying that it is the responsibility of the Trustees for the benefits package and larger issue of the unfunded liability that should be looked at from the entire system. (Fuddy/Salaveria) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

MOTION was made for the Board to take no position for HB1173, HD1-Collective Bargaining, EUTF. (Krieg/Mossman) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

MOTION was made for the Board to take no position on HB1174, HD1- EUTF Employer Contributions and for the Acting Administrator to speak on what the Board discussed if asked by the Legislature. (Krieg/Mossman) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

[Trustee Fuddy left at 10:43 a.m.]

MOTION was made for the Board to oppose HB1177- EUTF, Procurement, Fiduciary Duties, Board Composition, Vacancies, Legal Adviser, Quorum, Fund Administration. (Krieg/Salaveria) After discussion by the Board, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

[Trustee Fuddy returned at 10:44 a.m.]

MOTION was made for the Board to support HB1439, HD1- Vital Records, Reporting Deaths to State Agencies as recommended by the Acting Administrator. (Hidano/Krieg) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

MOTION was made for the Board to oppose HB1459-Captive Insurance as recommended by the Acting Administrator. (Hidano/Currivan Musto) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

MOTION was made for the Board to take no position on SB0867, SD1-Repeals Provision and Requirement for Base Monthly Contributions (BMC). (Hidano/Krieg) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

MOTION was made for the Board to support the intent of a prefunding solution and take no position on the methodology of SB0946-EUTF, Trust Fund Annual Required Distribution, OPEB. (Krieg/Hidano) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

- E. Transfer of Other Post Employment Benefits (OPEB) Committee Responsibilities to Benefits Committee
Ms. Sandra Yahiro reported that the Board may want to consider transferring the OPEB Committee responsibilities to the Benefits Committee.

MOTION was made for the Board to approve the transfer of OPEB Committee responsibilities to the Benefits Committee. (Hidano/Krieg) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

The EUTF staff will e-mail an updated list of the Committees to the Board.

Mr. Kimo Palakiko, member of the public, stated the Board, in regards to legislation, should make decisions based on whether the Trust Fund would lose or gain monies but how the Board gets the money is beyond your control.

V. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 10:55 a.m. for the reasons stated on the agenda. (Krieg/Curriuan Musto) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Executive Session adjourned at 12:07 p.m.

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

1. Denied Appeal to pay Tricare premiums.
2. Denied Appeal to be excluded from requirement to enroll in Medicare Part B.
3. Approval to extend Pension Consulting Alliance contract.

VI. REPORTS

A. Administrator

Overview by Ms. Sandra Yahiro regarding items 1-13 (see Acting Administrator's written report).

1. Vitech Phase II

Discussion held by Trustees and staff that Ms. Kathleen Shiroma did contact Mr. Randy Baldemore from OIMT regarding the "Transformation Internship Program".

2. Bank of Hawaii – Banking Services Update

Discussion held by Trustees and staff regarding the lockbox as it relates payment of administrative expenses. Ms. Donna Tonaki stated the EUTF staff will meet with Bank of Hawaii in March and work with Vitech. The target date for implementation is July 1, 2013.

3. Administrative Rules Revision Project

4. 2013 Open Enrollment for Active Employees

Discussion held by Trustees and staff on when the Reference Guides will be ready, the procurement process, and the fact that Segal is reviewing the draft Reference Guide. Ms. Nicole Wong stated the layout will be completed March 11, 2013 and procurement for the printing of the Reference Guides will be posted March 15, 2013.

5. Medicare Death Validation Project Update
Discussion held by Trustees and staff that HB1439 is the only avenue at this time and would only cover Hawaii deaths.
6. Direct Deposit Project Update
Discussion held by Trustees and staff what would happen if retirees did not have a bank account.
7. Affordable Care Act (ACA) Implementation
8. Biennium Budget
9. Implementation of EGWP Wrap Update
Discussion held by Trustees and staff regarding the implementation of the EGWP Wrap, correspondence that is sent by CVS Caremark/SilverScript is very confusing, and concerns expressed by Trustees that they do not want what happened in the past to happen again with letters that were sent.
10. Staffing of Administrative Office Update
Discussion held by Trustees and staff that the Procurement Specialist position should take all procurement training.
11. Cyber Risk Liability Insurance
Discussion held by Trustees and staff to list deadlines for this project on Acting Administrator's report.
12. CVS Caremark Transition Update
Ms. Yahiro reported with the implementation of the EGWP Wrap plan on April 1, 2013, CVS Caremark has assured the EUTF that all eligibility problems will be resolved.
13. CVS Caremark Implementation Credit
Discussion held by Trustees, staff, and Ms. Sandra Benevides from CVS Caremark that the survey was just e-mailed February 20, 2013. Trustee Hidano expressed her concern that Mr. Dana Merry assured her that the survey would be sent to the EUTF Administrator at the January 29, 2013 Board meeting. Ms. Yahiro stated she just received the survey. The EUTF and the benefits consultant will work on the survey next week.

B. EUTF Managers' Operational Reports

The EUTF Managers' reports were in Board packet (see written reports). Chair Hirata asked if the Board had any questions for the managers.

1. Member Services Branch (MSB)

- a. MSB Data Update
- b. MSB Staffing Level Update

c. Employee-Beneficiary Concerns

Discussion held by Trustees, Ms. Nicole Wong, benefits consultant, Ms. Sandra Benevides of CVS Caremark, and Mr. Christian Fern of HMSA regarding the call center, alarming number of concerns and unsatisfactory resolutions of CVS Caremark and SilverScript as reported by Ms. Wong, performance guarantees, and if CVS Caremark will make a commitment to the EUTF. Trustee Nip commented that MSB continue to communicate directly with HMSA and CVS Caremark/SilverScript to resolve issues. Ms. Benevides stated that CVS Caremark will commit to the EUTF's expectation and she will be at the EUTF if needed.

2. Information Technology (IT)

- a. Prescription Drug Transition – Active Employees and Non-Medicare Retirees
- b. Prescription Drug Transition – Medicare Retirees
- c. Migrate EUTF Website to New System
- d. Open Enrollment 2013 System Requirements
- e. Enrollment Counts

3. Accounting

- a. Financial Audit for FY 2012
- b. Personnel for Accounting
- c. Financial Statement as of December 31, 2012

Overview by Ms. Donna Tonaki regarding the Financial Statement as of December 31, 2012. Discussion held by Trustees and staff regarding the timing of when rebates are received and the amount of Trustees and staff that attended the IFEBP conference. Ms. Tonaki stated that a total of 8 attended the IFEBP conference.

C. Deputy Attorney General

1. Board Training on February 28, 2013

Mr. Kyle Chang summarized the topics that he and the EUTF staff will present at the Board training on Thursday, February 28, 2013 at 8 a.m.

2. Mr. Chang reported that there are new Health Insurance Portability and Accountability Act (HIPAA) regulations. Ms. Kathleen Shiroma and Mr. Chang have been working on updating the HIPAA forms such as the Business Associate Agreements.
- D. Segal – Benefits Consultant Report
1. Affordable Care Act (ACA) Update
Mr. Tom Morrison reported that there is nothing earth shattering for the ACA from the January 29, 2013 Board meeting. If anyone is curious, California has opened its Exchange website a few weeks ago.
 2. Formulary Changes When CVS Caremark Became Pharmacy Benefit Manager
Mr. Morrison reported that we did have specific issues that he thinks has been sufficiently addressed. We have gotten notice from CVS Caremark that there is a new update to their formulary and did receive an impact study from CVS Caremark. All pharmacy benefit managers in the past and going forward revise their formularies on a regular basis and when they do they are obligated to notify the Administrator how many people and drugs are being impacted and to also notify the member if they do not transition they will have a higher co-payment for the non primary. Ms. Sandra Benevides stated that 11 members were impacted. Discussion held by Trustees, staff, benefits consultant and Ms. Lauri Hunter from SilverScript regarding a recent mailing of the new “Summary of Benefits” booklet by SilverScript if step therapy applies to retirees. Ms. Hunter stated that item will be addressed under the carrier reports.
 3. Quarterly Financial Report
Mr. Morrison reported that Segal will be reviewing the HIPAA manual, doing an onsite visit to make sure the EUTF is compliant, and training for the EUTF staff. Overview by Mr. Morrison regarding the key findings, recommendations in the quarterly financial report (see “EUTF Annual Plan Experience Report Calendar Year to Date through September 2012” dated 1/29/13).
- E. Carrier Reports
- Ms. Sandra Yahiro stated that a new template was created for carriers to provide information that she thinks the Board would prefer. Discussion held by Trustees, staff, and benefits consultant regarding the percentage standard of answering calls and the average in returning calls.
1. CVS Caremark
Written report received.
 2. SilverScript
Written report received. Discussion held by Trustees, benefits consultant, and Ms. Lauri Hunter regarding refunds for people that were overcharged which is

still being processed and should be sent in the next few weeks and that CVS Caremark/SilverScript did not report this issue in their report. In the future, CVS Caremark/SilverScript will include all unresolved issues in their monthly written report to the Board. Discussion held by Trustees, staff, benefits consultant, and Ms. Lauri Hunter regarding information about the medication therapy management program and step therapy in the Benefits of Summary booklet that was recently mailed to retirees that contain information that is confusing and incorrect. Ms. Hunter explained the procedures for the medication therapy management program and step therapy and the CMS sanction. Discussion held by Trustees, benefits consultant, and Ms. Hunter regarding the directives by CMS ordering SilverScript to take steps to fill prescriptions. There being no objections by the Trustees, this item will be addressed in the Benefits Committee. Discussion held by Trustees, staff, benefits consultant and Ms. Hunter if a letter will be sent to retirees regarding the corrections in the Summary of Benefits. Ms. Hunter agreed to send a letter to retirees affected.

3. Hawaii Dental Service (HDS)

Written report received. Ms. Elaine Fujiwara reported that Ms. Lynette Arakawa is retiring. Discussion held by Trustees, staff, and benefits consultant regarding EUTF calls going to a direct line. [Trustee Fuddy left at 1:35 p.m.]

4. Hawaii Medical Service Association (HMSA)

Written report received. Discussion held by Trustees, staff, and benefits consultant regarding the target goals for answering calls and performance measurements.

5. Kaiser Health Foundation

Written report received.

6. Royal State Insurance

Written report received.

7. Vision Service Plan (VSP)

Written report received.

VII. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE

A. April 2, 2013, 9:00 a.m. – Regular Board Meeting

Chair Hirata announced the next regular Board meeting will be held on April 2, 2013 at 9:00 a.m.

VIII. ADJOURNMENT

MOTION was made for the Board to adjourn the meeting at 1:43 p.m. (Krieg/Salaveria)
The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Respectfully submitted,

/s/

Linda Currivan Musto, Secretary-Treasurer

APPROVED on April 2, 2013 as amended.

Documents Distributed:

1. Draft Board Minutes of January 29, 2013. (8 pages)
2. EUTF Quarterly Report Executive Summary for September 2012 by PCA dated 12/11/12. (50 pages)
3. EUTF Quarterly Report Executive Summary for December 2012 by PCA dated 2/8/12. (50 pages)
4. Memorandum to BOT from PCA Regarding Rebalancing Discussion dated 3/9/12. (6 pages)
5. EUTF Annual Financial Report June 30, 2012 and 2011 by MGO. (59 pages)
6. List of Legislative Bills Related to the EUTF dated 2/25/13. (9 pages)
7. Acting Administrator's Monthly Report to the Board for 1/15/13-2/15/13 dated 2/21/13. (5 pages)
8. Memorandum to BOT from MSB Manager Regarding MSB Operations Report dated 2/15/13. (1 page)
9. Memorandum to BOT from IS Analyst Regarding February IT Operations Report dated 2/15/13. (8 pages)
10. Memorandum to BOT from Financial Management Officer Regarding Accounting Operations Report for 2/26/13 BOT meeting dated 2/19/13. (1 page)
11. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2013 (Unaudited) for Current Month 12/31/12 dated 2/14/13. (2 pages)
12. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 6 Months Ended 12/31/12 (Unaudited). (2 pages)
13. EUTF Statement of Cash Flows 6 Months Ended 12/31/12 (Unaudited) dated 2/14/13. (1 page)
14. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2012 (Unaudited) for Current Month 10/31/12 dated 12/3/12. (2 pages)
15. Experience Accounting of CVS Caremark Actives Self-Funded Plans Summary of FYE 6/30/2013 up to December 2012 dated 2/20/13. (1 page)
16. Experience Accounting of SilverScript Medicare & CVS Caremark Non-Medicare

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Retirees Self-Funded Plans Summary of FYE 6/30/2013 up to December 2012 dated
2/20/13. (1 page)

17. EUTF Annual Plan Experience Report Calendar Year to Date through September 2012
by Segal dated 1/29/13. (121 pages)