

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, May 28, 2013

TRUSTEES PRESENT

Ms. Barbara Krieg, Vice Chairperson	Ms. Celeste Nip
Ms. Linda Currivan Musto, Secretary-Treasurer	Mr. Luis Salaveria
Ms. Loretta Fuddy	Mr. Clifford Uwaine
Ms. Audrey Hidano	Ms. Julia Zeghmi
Ms. Karolyn Mossman	

TRUSTEES ABSENT

Mr. Dean Hirata, Chairperson

ATTORNEY

Ms. Diane Erickson, Deputy Attorney General

EUTF STAFF

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

OTHERS PRESENT

Ms. Gary Asato, HDS	Ms. Lynne Miura, Royal State
Ms. Sandra Benevides, CVS Caremark	Mr. Teruo Nagasaki, HMSA
Ms. Monica Engle, VSP	Mr. Larry Nishihara, Retiree
Mr. Christian Fern, HMSA	Ms. Lori Nishimura, C&C-DHR
Ms. Elaine Fujiwara, HDS	Mr. Kimo Palakiko, HGEA-R
Ms. Beth Giesting, Governor's Office	Mr. Geoff Sewell, Kaiser-HPMG
Ms. Keiko Hiraoka, Lilly	Ms. Jill Shinno, Kaiser-HPMG
Mr. Nandana Kalupahana, House Finance	Ms. Brenda Shiroma, Benefit Plan Solutions
Ms. Mae Kishimoto, HSTA-R	Mr. Vaughn Tokeshiki, HSTA-R
Mr. Brian Matsuura, GSK	Mr. Troy Tomita, Kaiser
Mr. Chris Miura, Kaiser-HPMG	Mr. Patrick Williams, HMSA

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:01 a.m. by Trustee Barbara Krieg, Vice-Chairperson, in the EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, May 28, 2013.

II. MINUTES

A. April 2, 2013

The Board reviewed the draft minutes of April 2, 2013. Discussion held by Trustees and staff regarding pending items reflected on minutes.

MOTION was made for the Board to approve the minutes of April 2, 2013 as circulated. (Loretta Fuddy/Mossman) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

III. COMMITTEE REPORTS

1. Benefits Committee

1. Other Post Employment Benefits (OPEB)

Chair Krieg reported that the Benefits Committee's discussion was on the unfunded liability (OPEB). Mr. Luis Salaveria as Deputy Director of Finance did a presentation on OPEB which will be presented to the Board later on the agenda.

2. Investment Committee

1. Quarterly Performance Report for March 2013

Ms. Kay Ceserani, Investment Consultant from PCA, joined the meeting via conference call. Ms. Ceserani summarized and reviewed the March 31, 2013 Quarterly Performance report with the Board. Discussion held by Trustees, staff, and investment consultant that the trend has declined but the equity benchmark was higher and still strong. Ms. Ceserani stated no recommendations for changes needed at this time. The Asset (TIP) manager will do review in late June 2013. Later this year the asset allocation review will be done and then recommendations will be made. An asset allocation review is normally done every two to five years, which one was done at the November 2012 Investment Committee meeting.

2. Training on Risk vs. Reward Trade-Off and Role of Assets/Strategic Classes

3. Investing Excess Reserves

Ms. Ceserani reported that PCA had discussions with the EUTF staff and is in the process of evaluating what type of risk the portfolio can have. Once determined PCA will inform board and make recommendations on what type of funds it should be. PCA is still in progress of collecting information. At the end of April 2013, the fund was up another 2.9% (\$327 million). The portfolio continues to do well. No comments were made from the public.

IV. OLD BUSINESS

A. EUTF-Related Legislation Update

Ms. Sandra Yahiro summarized and gave an update regarding: (1) HB65, HD2, SD2, CD1 – Related to Prescription Drugs (mail order); (2) HB546, HD2, SD2, CD1 – Related to EUTF's Unfunded Liability; (3) SB847, SD2, HD1, CD1 –Related to Resets in the Base Monthly Contributions (BMC); (4) HCR81 – Urging EUTF Board to pay Tricare Reserve Select Premium. Discussion held by Trustees, staff, and benefits consultant regarding these bills.

MOTION was made for the Board to recommend that the Governor veto HB65, HD2, SD2, CD1 – Related to Prescription Drugs (mail order). (Uwaine/Currivan Musto)

After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

MOTION was made for the Board to acknowledge receipt of HCR81, filed, and no action will be taken by the Board. (Uwaine/Salaveria) After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Discussion held by Trustees, staff, and benefits consultant regarding the Base Monthly Contributions (BMC) and caps for Medicare Part B premiums currently and in the future.

- B. IFEBP 59th U.S. Annual Conference – October 20-23, 2013
Overview by Ms. Sandra Yahiro regarding the IFEBP 59th U.S. Annual Conference.

MOTION was made for the Board to approve all Trustees to attend the IFEBP 59th U.S. Annual Conference from October 20-23, 2013 and for any budgeted unspent money to allow for the Acting Administrator to decide four (4) additional EUTF staff who should attend conference. (Uwaine/Fuddy) After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Mr. Vaughn Tokashiki, member of the public asked if the Governor signed HB546, HD2, SD2, CD1 – Related to EUTF's Unfunded Liability or SB847, SD2, HD1, CD1 –Related to Resets in the Base Monthly Contributions (BMC), would there be a conflict if EUTF Trustees were selected to the task force and who will be setting up the Trust Fund for the public employer contributions. Trustee Salaveria stated the Trust Fund is already created in statute, the retiree funds are irrevocable, and the EUTF will maintain contributions but each employer will be managing. The Director of Finance will be a designee to the Task Force and does not know who else at this time since the bill is not signed yet. Discussion held by Trustees, staff, benefits consultant, and Mr. Tokashiki if Governor signs SB847, SD2, HD1, CD1 –Related to Resets the Base Monthly Contributions (BMC) will there be any impact to the retirees and if so, the retirees would pay out of pocket. Vice-Chairperson Krieg stated it would be better for the Governor to sign the bill because the BMC is higher.

V. NEW BUSINESS

- A. Election of Board Chair, Vice-Chair, Secretary-Treasurer
Trustee Linda Currivan Musto is nominated for Chairperson (Uwaine/Nip)

MOTION was made for Board to close nominations. (Hidano/Zeghmi) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

May 28, 2013 Minutes

PAGE 4

MOTION was made for Board to appoint Trustee Linda Currivan Musto Chairperson of the EUTF. (Hidano/Zeghmi) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Trustee Julia Zeghmi was nominated for Vice-Chairperson. (Uwaine/Hidano)

MOTION was made for Board to close nominations. (Fuddy/Uwaine) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

MOTION was made for Board to appoint Trustee Julia Zeghmi Vice-Chairperson of the EUTF. (Fuddy/Uwaine) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Trustee Luis Salaveria was nominated for Secretary-Treasurer. (Krieg/Uwaine)

MOTION was made for Board to close nomination. (Krieg/Uwaine) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

MOTION was made for Board to appoint Trustee Luis Salaveria Secretary-Treasurer of the EUTF. (Krieg/Uwaine) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

B. Board Meeting Schedule July 2013 to June 2014

Discussion held by Trustees, staff, and benefits consultant regarding having a meeting every month, appointing a sub-committee for emergency appeals for only the self-insured plan with CVS Caremark, and that the law is very clear regarding procedures for emergency appeals.

By consensus, the Trustees agree to the draft board meeting schedule from July 2013 to 2014 and to add Board meeting on April 22, 2013.

C. Cyber Risk Insurance Coverage Recommendation by Gallagher

Mr. William Sandkuhler summarized and reviewed with the Board the Cyber Liability Insurance Proposal. Discussion held by Trustees, staff, and Mr. Sandkuhler regarding the Cyber Risk insurance coverage (GET taxes, licensing, appropriate levels of coverage, and that the EUTF does have the money). Mr. Sandkuhler stated that Gallagher does not pay GET taxes but pays surplus lines to the State Insurance Commissioner and Gallagher is licensed in Hawaii. The Acting Administrator recommends the purchase of the Cyber Risk insurance coverage for \$5 million with Beazley.

MOTION was made for the Board to approve the purchase of the Cyber Risk insurance coverage for \$5 million with Beazley for 18 months as recommended by Gallagher and the Acting Administrator. (Uwaine/Fuddy) After discussion held by

the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

- C. Presentation by Luis Salaveria on Other Post Employment Benefits
Mr. Luis Salaveria, Deputy Director of Finance summarized the presentation on OPEB. Discussion held by Trustees, staff, and benefits consultant regarding the presentation on benefit levels and Hawaii's growing liability.

- E. Presentation by Beth Giesting, State Healthcare Transformation Coordinator
Trustee Hidano introduced Beth Giesting. Overview by Ms. Giesting regarding the State's healthcare. Discussion held by Trustees, staff, and Ms. Giesling regarding the EUTF's role, the Affordable Care Act (ACA), and wellness programs now and in the future.

Recessed at 11:10 am and Reconvened 11:20 am

- F. Presentation by Kaiser on Healthcare Transformation
Overview by Dr. Geoff Sewell from Kaiser. Discussion held by Trustees, staff, Dr. Sewell, and member of the public regarding ID fraud and the kinds of security Kaiser provides.

- G. Retiree Open Enrollment Dates Recommendation October 4, 2013 to October 31, 2013
Overview by Ms. Sandra Yahiro regarding the retiree open enrollment dates from October 4, 2013 to October 31, 2013.

MOTION was made for the Board to approve the retiree open enrollment dates from October 4, 2013 to October 31, 2013 as recommended by the Acting Administrator. (Mossman/Uwaine) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

- H. Incorrect Bargaining Unit Designations Resulting in Collection of Back Premiums
Ms. Sandra Yahiro summarized the background and incorrect BU designations that will result in the collection of back premiums. The Department of Human Resources is in discussion with unions regarding this issue. Discussion held by Trustees and staff on who is responsible for collecting monies when incorrect BU designations can be caused by a combination of EUTF and Employer error, a question came up regarding whether there is a State law that covers collecting monies owed by employees. It was stated that the EUTF is only source with this data, and some Trustees expressed concern about collecting monies from employees and that it is not the EUTF's responsibility to do collections and it should be worked out with employer for enforcement of payment. Trustee Uwaine stated it is his position that the Board not take any action. Ms. Diane Erickson stated she will research and report back to the Board.

Mr. Vaughn Tokashiki, member of the public, commented in regards to the incorrect BUs, they should be held harmless and those owed money back should have a premium holiday.

VI. REPORTS

A. Acting Administrator

Overview by Ms. Sandra Yahiro regarding the Acting Administrator's report.

1. Vitech Phase II
2. Bank of Hawaii Banking Services Progress
3. Administrative Rules Revision Project
4. 2013 Open Enrollment for Active Employees
5. Medicare Death Validation Project Update
6. Direct Deposit Project Update
7. Affordable Care Act Implementation
8. Biennium Budget
9. Implementation of EGWP Wrap Benefit Update

10. CVS Implementation Guarantee
Segal and EUTF are reviewing the new figures submitted by CVS Caremark and will report back to the Board.

11. Legislative Update
12. Cyber Risk Insurance

13. Specialty Medications
CVS is working with OnCare to make arrangements.

14. HIPAA Security & Compliance Audit
15. COBRA Training for EUTF Staff
16. Expanding EUTF's Office Space

17. EUTF's Internal Controls
The EUTF's Internal Controls report is not ready and will be presented at the Administrative Committee meeting after May 31, 2103.

18. Correction of Bargaining Unit Designations
The corrections will be done by July 1, 2013.

19. Premium/Rate Splits Different Between Bargaining Units and Between Employers

20. EUTF HIPAA Security Breach

Discussion held by Trustees, staff, and benefits consultant regarding the EUTF HIPAA security breach and that the EUTF can get sued. Mr. Tom Morrison stated it is very clear that there was a breach. With federal law, the EUTF is taking the steps to limit the liability.

21. Business Associate Agreement (BAA) with Department of Accounting & General Services (DAGS) and Employees Retirement System (ERS)
Ms. Sandra Yahiro summarized that we should have BAA with DAGS and ERS. Mr. Luis Salaveria will assist but needs more information to proceed.
- B. EUTF Managers' Operational Reports
The managers' operational reports were in the Board's packet.
1. Member Services Branch (MSB)
 - a. MSB Data Update
 - b. MSB Staffing Level Update
 - c. Open Enrollment for Active Employees and COBRA for Plan Year 2013
 - d. Fall Open Enrollment for Retiree Coverage Effective January 1, 2014
 2. Information Technology (IT)
 - a. Prescription Drug Transition – Active Employees and Non-Medicare Retirees
 - b. Prescription Drug Transition – Medicare Retirees
 - c. Office of Information Management & Technology (OIMT) Transformation Internship Program Update
Talk to Randy.
 - d. Information Systems Branch Reorganization and IT Staff Vacancy
 - e. Enrollment Counts
 3. Accounting
 - a. Personnel for Accounting
 - b. Financial Statement as of March 31, 2013
Mr. Bert Nishihara summarized the financial statement as of March 31, 2013. Discussion held by Trustees, staff, and benefits consultant regarding the investment valuation report and bank statements from Bank of Hawaii, the savings from the EGWP wrap, the drug formulary changes that CVS Caremark makes every quarter.
- C. Segal – Benefits Consultant Report
1. Quarterly Performance Report
 2. Performance Guarantees for Carriers
 3. Update on Affordable Care Act
 3. Update on COBRA Staff Training Project
 4. Update on HIPAA Security Audit and Review

5. Review of EUTF Website

Discussion held by Trustees, staff, and benefits consultant regarding how far along the EUTF is at regarding implementing changes suggested by Segal in their review.

6. Pharmacy Benefit Manager Audit

Segal recommends that the EUTF Acting Administrator commence negotiations with CVS Caremark on the selection of the pharmacy benefit manager auditor.

MOTION was made for the Board to authorize the EUTF Acting Administrator to commence negotiations with CVS Caremark on the selection of the pharmacy benefit manager audit as recommended by Segal. (Mossman/Currivan Musto) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

D. Carrier Reports

1. CVS Caremark

Ms. Sandra Benevides reported that she had a discussion with Oncare regarding CVS Caremark and Oncare coming to an agreement and will have another meeting with them next week. Discussion held by Trustees and Ms. Benevides regarding the CVS Formulary.

2. SilverScript

3. Hawaii Dental Service (HDS)

4. Hawaii Medical Service Association (HMSA)

Mr. Christian Fern introduced Mr. Teruo Nagasaki. Mr. Fern will still responsible over the management responsibilities.

5. Kaiser Health Foundation

6. Royal State Insurance

7. Vision Service Plan (VSP)

Discussion held by Trustees and Ms. Monica Engle regarding the EUTF specific phone number VSP offered to install. The Board asked VSP to proceed with installing and offering it.

Discussion held by Trustees, staff and Mr. Vaughn Tokashiki, member of the public regarding direct deposits.

VII. COMMUNICATION FROM EMPLOYEE REGARDING CVS CAREMARK

Employee that requested to address the Board in person did not attend Board meeting. Ms. Sandra Yahiro stated that the employee requested that the concern regarding CVS

Caremark be discussed in public session, the name not be redacted for the Board, and the employee was informed of the meeting date and time.

VIII. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 12:49 p.m. for the reasons stated on the agenda. (Currivan Musto/Fuddy) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Executive Session adjourned at 1:12 p.m.

Vice-Chairperson Krieg reported that the Board has taken the following actions in Executive Session.

1. Approved six (6) Appeals to waive requirement to enroll in Medicare Part B
2. Approved two (2) Appeals to submit enrollment form for newborn within thirty days of birth.
3. Denied two (2) Appeals to Changing Effective Date of Coverage of health benefit plans.
4. Denied one (1) Appeal to change the effective date of coverage.

IX. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE

- A. June 25, 2013, 9:00 a.m. – Regular Board Meeting
Segal quarterly performance report and review of EUTF website will remain on the agenda.

X. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 1:14 p.m.

Respectfully submitted,

/s/

Linda Currivan Musto, Secretary-Treasurer

APPROVED on August 27, 2013.

Documents Distributed:

1. Draft Board Minutes of April 4, 2013. (15 pages)
2. Memorandum from Benefits Committee Regarding 4/10/13 Benefits Committee meeting dated 5/22/13. (1 page)

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

May 28, 2013 Minutes

PAGE 10

3. Memorandum from Administrative Committee Regarding 5/17/13 Administrative Committee meeting. (1 page)
4. EUTF Quarterly Report Executive Summary for March 2013 dated 5/9/13. (50 pages)
5. Memorandum to Board from PCA Regarding Preliminary Investment Deliverable Agenda for 2013/2014 dated 5/22/13. (1 page)
6. PCA Risk vs. Reward Trade-off for EUTF dated May 2013. (14 pages)
7. PCA Strategic Class Discussion for EUTF dated May 2013. (63 pages)
8. EUTF Legislative Update dated 5/3/13. (1 page)
9. Letter from House of Representatives Regarding HCR81 dated 5/8/13. (3 pages)
10. Draft Proposed Board Meeting Dates for 7/1/2013-6/30/2013. (1 page)
11. State of Hawaii, Department of Budget & Finance Regarding OPEB. (16 pages)
12. Presentation on "Health System Change in Hawai'i: an opportunity for EUTF by Beth Giesling. (3 pages)
13. Kaiser Permanente Presentation on Healthcare Transition. (1 page)
14. Acting Administrator's Monthly Report to the Board dated 5/22/13. (6 pages)
15. Draft Letter Regarding HIPAA Breach dated 5/26/13. (3 pages)
16. Memorandum to BOT from MSB Manager Regarding MSB Operations Report dated 5/10/13. (1 page)
17. Memorandum to BOT from IS Analyst Regarding May IT Operations Report dated 5/25/13. (8 pages)
18. Memorandum to BOT from Financial Management Officer Regarding Accounting Operations Report for 5/28/13 BOT meeting dated 5/21/13. (1 page)
19. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2013 (Unaudited) for Current Month 3/31/13 dated 5/18/13. (2 pages)
20. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 8 Months Ended 2/28/13 (Unaudited). (2 pages)
21. EUTF Statement of Cash Flows 8 Months Ended 2/28/13 (Unaudited) dated 5/15/13. (1 page)
22. Experience Accounting of CVS Caremark Actives Self-Funded Plans Summary of FYE 6/30/2013 up to March 2013 dated 5/21/13. (1 page)
23. Experience Accounting of SilverScript Medicare & CVS Caremark Non-Medicare Retirees Self-Funded Plans Summary of FYE 6/30/2013 up to March 2013 dated 5/21/13. (1 page)
24. Memorandum to BOT from Segal Regarding Status of Current Projects dated 5/27/13. (3 pages)
25. State of Hawaii EUTF Website Review dated 5/28/13. (16 pages)
26. EUTF Annual Plan Experience Report Calendar YTD through December 2012 dated 5/28/13. (110 pages)
27. Memorandum to BOT from Segal Regarding Performance Guarantee Reporting for 2012. (3 pages)
28. Segal Capital Checkup on Guidance on Out-of-Pocket Maximms in 2014 for Non-Grandfathered Health Plans dated 5/10/13. (3 pages)

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

May 28, 2013 Minutes

PAGE 11

29. Segal's Health Care Reform Timeline for Calendar-Year Group Health Plans dated 5/1/13. (2 pages)
30. Application for Health Coverage & Help Paying Costs (Short Form) from Segal. (5 pages)
31. New Health Insurance Marketplace Coverage Options and Your Health Coverage Form from Segal. (3 pages)
32. Health Coverage from Jobs, Appendix A. (2 pages)
33. Article from Governing on "Retiree Health Care Benefits: The Next Shoe to Drop? Dated 4/22/13. (4 pages)