

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, December 10, 2013

TRUSTEES PRESENT

Ms. Linda Currivan Musto, Chairperson	Mr. Dean Hirata
Ms. Julia Zeghmi, Vice Chairperson	Ms. Barbara Krieg
Ms. Loretta Fuddy (arrived 9:09 am)	Ms. Karolyn Mossman
Ms. Audrey Hidano	Ms. Celeste Nip

TRUSTEES ABSENT

Mr. Luis Salaveria, Secretary-Treasurer
Mr. Clifford Uwaine

ATTORNEY

Mr. Kyle Chang, Deputy Attorney General

EUTF STAFF

Ms. Sandra Yahiro, Acting Administrator	Mr. Tom Morrison, Benefits Consultant
Ms. Donna Tonaki	Mr. Raymond Kan
Ms. Maria Quartero	Mr. Bert Nishihara
Ms. Lauren Endo	Ms. Nicole Wong
Ms. Bonny Kahalewai	

OTHERS PRESENT

Mr. Gary Asato, HDS	Mr. Teruo Nagasako, HMSA
Ms. Sandra Benevides, CVS Caremark/SilverScript	Mr. Larry Nishihara, Retiree
Mr. Laurence Che, PKF Pacific Hawaii LLP	Ms. Lori Nishimura, C&C, HR
Mr. Andrew Elliott, CVS Caremark	Mr. Kris Onaga, Healthways Hawaii
Mr. Monica Engle, VSP	Mr. Kimo Palakiko, HGEA-R
Mr. Christian Fern, HMSA	Mr. Ron Rawls, State Auditor
Ms. Elaine Fujiwara, HDS	Mr. Ron Shiigi, State Auditor
Mr. Mark Fukuhara, ABC, LLC	Mr. Lucas Sayin, PKF Pacific Hawaii LLP
Ms. Lisa Hunter, CVS Caremark	Ms. Lynn Shimono, PKF Pacific Hawaii LLP
Ms. Mae Kishimoto, HSTA-R	Mr. Andrew Sutton, CVS Caremark
Mr. Brian Matsuura, GSK	Mr. Troy Tomita, Kaiser
Ms. Lynne Miura, Royal State	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:00 a.m. by Trustee Linda Currivan Musto, Chairperson, in the EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, December 10, 2013.

II. MINUTES

A. November 5, 2013

The Board reviewed the draft minutes of November 5, 2013.

MOTION was made for the Board to approve the minutes of November 1, 2013 as circulated. (Krieg/Hirata) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

[Trustee Fuddy arrived at 9:09 a.m.]

III. COMMITTEE REPORTS

A. Investment Committee

1. Strategic Allocation Review-2013

Mr. Colin Bebee from Pension Consulting Alliance (PCA) summarized for the Board the 2013 Strategic Allocation Review report. Mr. Bebee stated that the Investment Committee, at their November 12, 2013 meeting, voted to recommend to the Board to implement Option 13.

Deputy Attorney General Kyle Chang informed the Board that because the Investment Committee is not a standing Committee, any vote on this agenda item must be taken at the next Board meeting.

Trustee Hirata mentioned that the Investment Committee's recommendation, Option 13, is being recommended with the idea that EUTF will be investing the monies on its own.

The Trustees discussed Act 268 SLH2013, the bill that created a Task Force to examine the unfunded OPEB liability. The Task Force is charged with reporting to the legislature on an implementation plan to have both the EUTF and the ERS jointly share investment information and services. Trustee Musto stated that she is on the Act 268 Task Force and that a scheduled meeting was canceled and it is being rescheduled for January 2014.

2. Quarterly Performance Report for September 30, 2013

Ms. Kay Caserani from PCA summarized the Quarterly Performance Report for September 30, 2013.

B. Benefits Committee

1. Medical and Prescription Drug Request for Proposals

This item will be discussed in Executive Session.

IV. OLD BUSINESS

A. 2014 EUTF-Related Legislation

Ms. Sandra Yahiro reported that a copy of the draft legislative proposal for death validation is being distributed to the Board. Mr. Kyle Chang summarized the death validation proposal. This item and other related EUTF bills will be reviewed at the next Administrative Committee meeting. A vote is not needed because the Board already supports this proposal.

V. NEW BUSINESS

A. EUTF FY13 Audit

Ms. Lynn Shimono from PKF Pacific Hawaii summarized the EUTF FY13 audit report, including the findings. Upon reviewing the findings, it was noted by PKF that EUTF still does not have a formal risk assessment or monitoring process. The Board expressed concerns that EUTF should be making corrections in a timely manner. A question was asked whether the material weaknesses cited in the audit have any affects on other areas in the State. The Acting Assistant Administrator stated she did not think there is any impact but will follow up with Budget & Finance and the Department of Accounting and General Services (DAGS) and report back to the Board.

- B. 2014 Open Enrollment for Active Employees April 7, 2014 to May 2, 2014
Discussion held by Trustees and staff if the EUTF is allowing enough time to process documents in a timely matter by July 1st.

MOTION was made for the Board to approve the Open Enrollment for active employees from April 7, 2014 to May 2, 2014. (Krieg/Mossman) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

- C. EUTF Annual Report to the Legislature for July 1, 2012 to June 30, 2013
The EUTF staff will correct the title to the “Department of Human Resources Development”.

MOTION was made for the Board to approve the EUTF Annual Report from July 1, 2012 to June 30, 2013 as drafted. (Krieg/Hirata) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

Discussion held by Trustees and staff that “HSTA” should not be used with “VB” and that if changed at this time, it may cause confusion.

- D. EUTF Report to the Legislature Regarding Act 226, SLH2013 (HB65) Relating to Prescription Drugs

Overview by Ms. Sandra Yahiro on the draft EUTF Report to the Legislature regarding Act 226, SLH2013 (HB65) relating to prescription drugs. Discussion held by Trustees and staff that the report would be meaningless because it is for a short period of time and that the EUTF should amend the draft report to add “it is only for one month and retirees are not included”.

MOTION was made for the Board to approve the EUTF Report to the Legislature regarding Act 226, SLH2013 (HB65) relating to prescription drugs as amended. (Krieg/Fuddy) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

E. Presentation by CVS Caremark Regarding Formulary and Utilization Management Changes to SilverScript Plan Effective January 1, 2014

Ms. Lisa Hunter from CVS Caremark/SilverScript provided the Board with an explanation on the Medicare plan changes related to the formulary and utilization management plan effective January 1, 2014.

Mr. Tom Morrison informed the Board that the utilization management programs were previously approved by the Board and apply, not only to active employees drug plans but also the under 65 Medicare population. Earlier this year, CVS Caremark was required to suspend implementing these programs by CMS Medicare. No one in the plans over the age of 65 had these programs applied for the last 10 months. After review and some changes, CMS Medicare now says CVS Caremark can re-implement these programs. The affected membership because the EUTF has a wrap plan is almost non-existent since the commercial plan picks up what Medicare makes you take off of the formulary. For a subsequent meeting, Mr. Morrison would like to see the net net impact figures not the gross. After the commercial wrap comes in, how many actual retirees will see a reduction due to a formulary change.

The Trustees discussed their concern with Ms. Hunter and Ms. Sandra Benevides on how long members will have to wait for things such as prior authorizations, procedures for filling prescriptions, and the timeline in notifying the retirees and their doctors.

Recess 10:45 am and reconvene 10:50 am

VI. REPORTS

A. Acting Administrator

Discussion held by Trustees and staff regarding incorporating managers' written report in the Acting Administrator's report. The Board prefers that the managers submit a separate written report.

1. Vitech Modified Phase II
Trustee Hidano expressed her concern that DAGS OIMT should provide information regardless of staff changes and would like to be informed of the status.
2. Bank of Hawaii Banking Services Progress (no Board discussion)
3. Administrative Rules Revision Project
Discussion held by Trustees and staff that the draft Administrative Rules revisions will be sent out for consultation in mid January.
4. Medicare Death Validation Project Update (no Board discussion)

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5. Direct Deposit Project Update (no Board discussion)
6. Affordable Care Act Implementation (no Board discussion)
7. CVS Implementation Guarantee (no Board discussion)
8. HIPAA Security & Compliance Audit (no Board discussion)
9. Expanding EUTF's Office Space (no Board discussion)

10. EUTF's Internal Controls
Discussion held by Trustees and staff regarding the status of the EUTF's Internal Controls and that it should be a high priority.

11. Premium/Rate Splits Different Between Bargaining Units and Between Employers (no Board discussion)
12. Business Associate Agreement with Department of Accounting & General Services (DAGS) and Employees Retirement System (ERS) (no Board discussion)
13. EUTF Website Review (no Board discussion)
14. Vitech Rebill Issue (no Board discussion)
15. HB65, Act 226 SLH2013 (no Board discussion)

16. Customer Service Improvement Project
Ms. Yahiro reported that she is happy with current results of surveys. The call center statistics were good. Discussion held by Trustees and staff regarding expanding the survey for callers. The EUTF staff will check if the current system can do survey for callers or when the EUTF gets a new phone system in 2014.

17. RFP for Actuarial Consultant (no Board discussion)

18. FY15 Budget
Ms. Yahiro reported that new positions for Health Management Project (Coordinator, Investment Specialist, Member Services Clerk, and two Account Clerks, new encryption software, and additional office space were approved. The Wellness Medical Data Analyst and upgrading of the Investment positions were not approved. The Investment position was approved at a lower level and the starting salary is approximately \$51,000. Discussion held by Trustees and staff regarding the Investment Specialist position and that all positions are exempt.

19. Calendar Year 2013 W-2 Reporting Cost of Employee/Employer Health Plan Coverage (no Board discussion)
20. Health Benefit Plans Claims Audits (no Board discussion)

21. Marriage Equality Act of 2013

Ms. Yahiro reported that a copy of the Q/A was distributed to the Board and also posted on the EUTF website.

22. Retroactive Rate Changes – BU 12 and 13 (no Board discussion)

B. EUTF Managers' and Program Specialist Operational Reports

1. Member Services Branch (MSB)
 - a. MSB Data Update (no Board discussion)
 - b. Retiree Open Enrollment Processing (no Board discussion)
 - c. Carrier Reports for the Month of October (no Board discussion)

Ms. Nicole Wong reported that there are 6 vacancies in MSB. Due to freeze, interviews and hiring of positions will be held in January.

2. Information Technology (IT)
 - a. V3 Benefits Administration System (BAS) (no Board discussion)
Employer-Provided Health Coverage Reporting – Form W-2 for 2013 (no Board discussion)
 - b. IT Staff Vacancy (no Board discussion)
 - c. Enrollment Counts (no Board discussion)
3. EUTF Program Specialist
 - a. Health & Wellness Programs (no Board discussion)
4. Accounting
 - a. Financial Statement as of September 30, 2013
Mr. Bert Nishihara summarized the Financial Statement as of September 30, 2013 and the Experience Accounting of CVS Caremark Active and Retirees Self-Funded Plans. Discussion held by Trustees, staff, benefits consultant, and Ms. Sandra Benevides from CVS Caremark regarding the gains/losses for rebates and if it is in line based on performance. Mr. Tom Morrison stated it is based on expenditures, projecting it will come close to breaking even in January 2014.

C. Segal – Benefits Consultant Report

1. Federal Affordable Care Act Fees and Retiree Rates for January 1, 2014
This item will be discussed in Executive Session.

D. Carrier Reports

1. CVS Caremark
Written report received. (no Board discussion)
2. SilverScript
Written report received. (no Board discussion)

3. Hawaii Dental Service (HDS)
Written report received. (no Board discussion)
4. Hawaii Medical Service Association (HMSA)
Written report received. (no Board discussion)
5. Kaiser Health Foundation
Written report received. (no Board discussion)
6. Royal State Insurance
Written report received. (no Board discussion)
7. Vision Service Plan (VSP)
Written report received. (no Board discussion)

VII. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 11:15 a.m. for the reasons stated on the agenda. (Krieg/Zeghmi) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

Executive Session adjourned at 12:54 p.m.

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

1. Approved Appeal to change effective date of coverage.
2. Approved Appeal for reenrollment into plans.
3. Approved Medical RFP with amendments.
4. Approved Prescription Drug RFP with amendments.
5. Approved that EUTF staff can accept "Gifts of Aloha".

VIII. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE

A. January 28, 2014, 9:00 a.m. – Regular Board Meeting

IX. ADJOURNMENT

MOTION was made for the Board to adjourn meeting at 12:55 p.m. (Krieg/Zeghmi) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

Respectfully submitted,

/s/

Luis Salaveria, Secretary-Treasurer

APPROVED on January 28, 2014.

Documents Distributed:

1. Draft Board Minutes of 11/5/13. (10 pages)
2. Memorandum to BOT from Investment Committee Regarding 11/12/13 Investment Committee meeting. (1 page)
3. Memorandum to BOT from PCA Regarding 2013 Strategic Allocation Summary dated 12/5/13. (5 pages)
4. Strategic Allocation Review – 2013 for EUTF, November 2013. (56 pages)
5. EUTF Quarterly Report Executive Summary, September 2013. (51 pages)
6. Communications Related to the Audit by PKF Pacific Hawaii LLP dated 12/10/13. (2 pages)
7. EUTF Financial Statements and Independent Auditor's Report, June 30, 2013 and 2012. (79 pages)
8. EUTF Annual Report for the Period 7/1/12 through 6/30/13. (13 pages)
9. Summary of 2014 Plan Changes & Notifications by CVS Caremark. (1 page)
10. Acting Administrator's Monthly Report to the Board for 11/1/13- 12/3/13 dated 12/3/13. (6 pages)
11. Customer Service Automated Call Distribution Report, July 2013 to November 2013 dated 12/4/13. (2 pages)
12. EUTF Customer Service Improvement Project Survey Results dated 12/3/13. (3 pages)
13. Questions and Answers (Q&A) for Hawaii Marriage Equality Act of 2013 dated 11/20/13. (1 page)
14. Memorandum to BOT from MSB Manager Regarding MSB Operations Report dated 12/2/13. (1 page)
15. Memorandum to BOT from IS Analyst Regarding December IT Operations Report dated 11/29/13. (10 pages)
16. Memorandum to BOT from Program Specialist Regarding October 2013 Monthly Report dated 11/27/13. (5 pages)
17. Memorandum to BOT from Financial Management Officer Regarding Accounting Operations Report for 12/10/13 BOT meeting dated 12/4/13. (1 page)
18. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2014 (Unaudited) for Current Month 9/30/13 dated 12/4/13. (2 pages)
19. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 3 Months Ended 9/30/13 (Unaudited) dated 12/4/13. (2 pages)
20. EUTF Statement of Cash Flows 3 Month Ended 9/30/13 (Unaudited) dated 12/3/13. (1 page)

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21. Experience Accounting of CVS Caremark Actives Self-Funded Plans Summary of FYE 6/30/2013 & FYE 6/30/2014 up to September 2013 dated 12/5/13. (1 page)
22. Experience Accounting of CVS Caremark Non-Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2013 & FYE 6/30/2014 through 6/30/14 dated 12/5/13. (1 page)
23. Experience Accounting of SilverScript Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2013 & FYE 6/30/2014 through 6/30/14 dated 12/5/13. (1 page)
24. EUTF Insured/Risk Sharing Quarterly Report 10/30/13 by HMSA. (6 pages)
25. CVS Monthly Carrier Report for October 2013 dated 11/10/13. (11 pages)
26. SilverScript Monthly Carrier Report for October 2013 dated 11/10/13. (8 pages)
27. HDS Monthly Carrier Report for October 2013 dated 11/8/13. (3 pages)
28. HMSA Monthly Carrier Report for October 2013 dated 15/15/13. (3 pages)
29. Kaiser Monthly Carrier Report for October 2013 dated 11/8/13. (2 pages)
30. Royal State Insurance Monthly Carrier Reports for October 2013 (Supplemental Medical Plan, Chiropractic Plan, Group Term Life Plan) dated 11/8/13. (6 pages)
31. VSP Monthly Carrier Report for October2013 dated 11/8/13. (9 pages)