



ANNUAL REPORT

FISCAL YEAR 2008-09

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

December 2009

This report presents an overview of the activities of the Hawaii Employer-Union Health Benefits Trust Fund (“EUTF”) for the fiscal year 2008 - 2009. 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
- Ron Boyer
- Darwin Ching
- Marie Laderta
- Stanley Shiraki

Employee-Beneficiary Trustees

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

Board officers currently are George Kahooohanohano, Chairperson, Guy Fujio, Vice-Chairperson and Stanley Shiraki, 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. The Board created an investment committee to develop and make recommendations regarding the Board’s investment long-term investment policies and guidelines.

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, an information systems analyst, and a health benefits program manager. 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 since 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 initial contract was through June 30, 2009, and the Board exercised its 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 renewed 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. The Board contracted with Mercer Consulting to assist with development of the EUTF investment program, due to the need to invest OPEB contributions received by employers on a long-term basis.

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 July 2006.

HEALTH AND LIFE INSURANCE BENEFIT PLANS

During fiscal year 2008-2009, 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) (Now informedRx)
- ◆ 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 2008-2009 the EUTF maintained a variety of plan offerings for both employees and retirees. HMSA and HMA provided the EUTF Preferred Provider Option (PPO) plan for both employees and retirees. HMO plans continued to include the Kaiser Comprehensive Option HMO plan, a Kaiser Basic Option HMO medical plan and an HMSA HMO medical plan. The HMSA High Deductible Health Plan was offered again 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. Standard Life Insurance provided the life insurance plan for active employees and retirees. Contracts with these organizations expired on June 30, 2009, and were extended through June 30, 2011 (except Standard was extended to June 30, 2010).

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, 2009.

Type of Benefit Plans	Type of Coverage			Grand Total
	Self	Two-Party	Family	
MEDICAL - Self Funded				
PPO				
Health Management Associates	428	163	191	782
Hawaii Medical Service Association	16799	5549	9729	32077
HDHP				
High Deductible Health Plan (HMSA)	167	26	43	236
Supplemental Plans				
Hawaii Medical Service Association	254	154	243	651
Royal State National	99	102	241	442
Total PPO/Supplemental				34188
MEDICAL - Fully Insured				
HMO				
Hawaii Medical Service Association	1069	333	467	1869
Kaiser Permanente Comprehensive	4483	1486	2311	8280
Kaiser Permanente Basic	319	85	103	507
Total HMO				10656
WAIVED				11301
TOTAL MEDICAL				56145
PRESCRIPTION DRUGS - Self Insured				
NMHC (Now informedRx)				
Prescription Drug Only	53	38	45	136
With PPO Plans	17227	5712	9920	32859
With Dual Plans	254	154	243	651
TOTAL PRESCRIPTION DRUGS				33646
DENTAL				
Hawaii Dental Service	22053	9520	15870	47674
WAIVED				8471
TOTAL DENTAL				56145
VISION				
Vision Services Plan	21876	8565	14412	45055
WAIVED				11090
TOTAL VISION				56145
LIFE INSURANCE				Total
Standard Life Insurance				55884
WAIVED				261
TOTAL LIFE INSURANCE				56145

The table below shows **retirees' enrollment** as of June 30, 2009

Type of Benefit Plans	Type of Coverage			Grand Total
	Self	Two-Party	Family	
MEDICAL - Self Funded				
HMA Non-Medicare	8	9	2	19
HMA With Medicare	16	11	0	27
HMSA Non-Medicare	2954	3169	987	7110
HMSA With Medicare	14019	8146	446	22611
Kaiser Non-Medicare	694	642	208	1544
Kaiser With Medicare	3258	1590	120	4968
Kaiser Out of State	87	52	2	141
WAIVED				850
TOTAL MEDICAL				37270
PRESCRIPTION DRUGS - Self Insured				
National Medical Health Card (Now informedRx)				
Non-Medicare	2982	3186	988	7156
Medicare Part D	13963	8071	444	22478
Waived Part D				807
TOTAL PRESCRIPTION DRUGS				30441
DENTAL				
Hawaii Dental Service	20957	13430	1643	36030
WAIVED				1240
TOTAL DENTAL				37270
VISION				
Vision Services Plan	20515	13556	1888	36391
WAIVED				879
TOTAL VISION				37270
LIFE INSURANCE				Total
Standard Life Insurance				32178
WAIVED				136
TOTAL LIFE INSURANCE				32314

OPERATIONS

Ongoing Programs and General Operations

The EUTF participates with the major State departments and counties which host pre-retirement, new hire orientation, RIF briefings, DPO informational, and Open Enrollment sessions during the year. The EUTF continued the program to provide on-site retirement counseling in conjunction with the Employees 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 FY2009, the EUTF Customer Service staff continued to be challenged with a high volume of phone calls. From July 1, 2008 – June 30, 2009, the EUTF Customer Service line received over 48,000 incoming telephone calls, answering 88% or 42,000 calls. In addition, the Customer Service staff made approximately 29,600 outgoing calls, totaling over 71,000 calls completed.

The Enrollment staff received and imaged 52,091 documents during FY2009. At the end of the period, only 344 remained in pending status. The majority of all enrollment related documents affected employee-beneficiary coverage. Other documents dealt with change of address, correction or clarification of data submitted, removal of dependents from plans and other miscellaneous categories. Staff processed over 17,225 retiree related forms and notices. In addition, over 15,300 COBRA related notices were processed, printed and mailed with 2,212 of the notices being returned for continuation coverage enrollment.

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 held in the fall of 2008 to precede Medicare's open enrollment. The 2008 Retiree open enrollment concluded on November 14, 2008. During the open enrollment period 749 people attended the 32 sessions conducted on all major islands except Lanai. During the open enrollment period, retirees submitted 1,803 enrollment forms of which less than 500 were actual changes to plans or coverage. Most of the enrollment submissions related to adding or deleting a dependent.

The regular FY 2009 Open Enrollment for active employees was not held during the fiscal year. Rather, a special, limited Open Enrollment for hardship cases was conducted from May 15, 2009 to June 12, 2009. The EUTF staff conducted training sessions on the four major islands which were attended by over 300 personnel and financial officers. The EUTF received and processed 1,348 enrollment changes for the special open enrollment.

FISCAL YEAR 2009

During FY 2009, the EUTF collected \$583,003,551 in employer and employee contributions for health benefit plans and paid carriers \$591,377,683 in premiums, benefit claims and administration expenses. Medicare Part B reimbursements paid to retirees amounted to \$42,945,825. The above amounts are presented on an accrual basis and do not include retrospective premium amounts of approximately \$2.9 million due to HDS and VSP and incurred but not reported expenses in the amount of approximately \$41.7 million for the self-funded plans.

An annual audit of the EUTF, as required by Chapter 87A-25(2), is being conducted for the plan year July 1, 2008 through June 30, 2009 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 audited financial reports will be presented to the Board of Trustees in January 2010 and the audit report will be forwarded under separate cover.