

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Minutes of the Board of Trustees

Tuesday, April 28, 2015

TRUSTEES PRESENT

Ms. Maria Zielinski, Vice Chairperson
Ms. Linda Currivan Musto, Secretary-Treasurer
Mr. Randy Baldemor
Mr. Roderick Becker
Ms. Audrey Hidano

Ms. Karolyn Mossman
Mr. Nolan Kawano
Ms. Celeste Nip
Mr. Clifford Uwaine
Ms. Julia Zeghmi (left at 1:38 pm)

TRUSTEES ABSENT: None

ATTORNEY

Mr. Kyle Chang, Deputy Attorney General

EUTF STAFF

Ms. Sandra Yahiro, Administrator
Mr. Derek Mizuno, Assistant Administrator
Ms. Debra Pfeffer
Mr. Adam Dreher
Ms. Lauren Endo

Mr. Tom Morrison, Benefits Consultant
Ms. Bonny Kahalewai
Mr. Raymond Kan
Ms. Donna Tonaki

OTHERS PRESENT

Ms. Marissa Adachi, HMSA
Mr. Andrew Elliott, CVS Caremark
Mr. Christian Fern, Kaiser
Ms. Elaine Fujiwara, HDS
Ms. Jenifer Jessup Fuller, UHC
Mr. Galen Haneda, HMSA
Ms. Keiko Hiraoka, Lilly
Ms. Chris Hause, Kaiser
Mr. John Jacobs, USAble

Ms. Jean Farone Jones, UHC
Ms. Monica Kim, VSP
Mr. Chris Letoto, HMSA
Mr. Doug Murata, Royal State
Ms. Melissa Skoczyas, Kaiser
Mr. Troy Tomita, Kaiser
Ms. Jennifer Woo, C&C, DHR
Mr. Mark Yamakawa, HDS

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:00 a.m. by Trustee Maria Zielinski, Vice Chairperson, in the EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, April 28, 2015.

II. INTRODUCTION OF NEW BOARD MEMBERS

Vice Chairperson introduced and welcomed new Board members, Mr. Randy Baldemor, Deputy Director, Department of Human Resources and Development, Mr. Roderick Becker, Deputy Director of Finance, and Mr. Nolan Kawano, President at IC International.

III. ELECTION OF CHAIR FOR PERIOD APRIL 28, 2015 THROUGH JUNE 30, 2015 AND COMMITTEE ASSIGNMENTS

There being no objections by the Trustees, this item is deferred.

IV. MINUTES

A. March 24, 2015

The Board reviewed the draft minutes of March 24, 2015. Discussion held by Trustees and staff regarding the correct title of the Deputy Director of Finance.

MOTION was made for the Board to approve the minutes of March 24, 2015 as circulated. (Curriuan Musto/Hidano) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

V. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 9:04 a.m. as stated on the agenda. (Baldemor/Hidano) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Executive Session adjourned at 12:10 p.m.

[Trustee Mossman left at 12:10 p.m.]

Vice Chairperson Zielinski reported that the Board has taken the following actions in Executive Session:

1. Approved the HMSA non-Medicare and Medicare maximum retiree rates effective July 1, 2015, January 1, 2016, and January 1, 2017 as presented.
2. Approved the Kaiser active employees maximum rates for the comprehensive and standard plans effective July 1, 2015, July 1, 2016, and July 1, 2017 as presented.
3. Approved two (2) Appeals for retroactive reinstatement of plans.
4. Approved one (1) Appeal for changing plans.
5. Denied one (1) Appeal for reinstatement of plans.

VI. OLD BUSINESS

A. 2015 EUTF-Related Legislation

Ms. Sandra Yahiro summarized the status of the following bills: (1) HB252, HD1, SD1, SD2-Relating to Pharmacy Benefit Managers; (2) HB1356, SD1, SD2-Relating to Unfunded Liabilities; (3) SB100, SD1, HD1-Relating to Appropriations; (4) SB158, SD1, HD1-Relating to the Budget Documents; (5) SB 1011, SD1, HD1, HD2-Relating to Collective Bargaining.

B. Retiree Dental Plan Benefit Enhancement

MOTION was made for the Board to approve to increase the retirees dental plan maximum from \$1,000 to \$2,000 effective January 1, 2015 with rates discussed in

Executive Session, and including the Hawaii State Teachers Association (HSTA) VEBA (VB) retiree plan. (Uwaine/Currivan Musto)

Discussion held by Trustees regarding the effective date.

Trustee Uwaine summarized background information regarding the retiree dental plan benefits enhancement being addressed at previous Board meetings which was twice voted down and the March meeting with Governor Ige, Chief of Staff Mike McCartney, Mr. James Nishimoto, Director of Human Resources Development, and 5 Union leaders. Since then, the Governor has assured Trustee Uwaine that it would be taken care of at this Board meeting and believes the Governor's commitment is from January 1, 2015. Ms. Sandra Yahiro stated that when there are plan enhancements her recommendation has been and will always be to exclude Hawaii State Teachers Association (HSTA) VB members from any plan enhancements due to the lawsuit. [Trustee Mossman returned at 12:20 p.m.] Discussion held by Trustees and staff regarding the reason for excluding HSTA VB members from plan enhancements, options on how and who is going to pay, the cost, unfunded liability, amending the motion, and the enrollment of HSTA VB actives and retirees.

AMENDMENT TO MOTION was made for the Board to approve to use the reserves to fund the current year of \$2.8 million for EUTF retirees plan only. (Uwaine/Mossman) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Further discussion held by Trustees, staff, and benefits consultant regarding excluding HSTA VB members due to the court order in keeping benefit plans the same.

AMENDMENT TO MOTION was made for the Board to exclude the HSTAVB retiree plan members from increasing the retirees dental plan maximum from \$1,000 to \$2,000 effective January 1, 2015. (Currivan Musto/Nip) The motion passed. (Employer Trustees-5/Employee-Beneficiary Trustees-4 YES-Currivan Musto, Mossman, Nip, Zeghmi; 1 NO-Uwaine)

Discussion held by Trustees, staff, deputy attorney general, and benefits consultant regarding using the reserves in the past to lower cost and that the Board may discuss covering the costs for OPEB liability, and to make decisions on using the reserves for the OPEB liability at a future meeting when further information can be provided.

MOTION was made for the Board to approve to increase the retirees dental plan maximum from \$1,000 to \$2,000 effective January 1, 2015 with rates discussed in Executive Session, to use the reserves to fund the current year of \$2.8 million for EUTF retirees plan only, and exclude the HSTA VB retiree plan members. (Uwaine/Currivan Musto)

AMENDMENT TO MOTION was made for the Board to approve for the funding of the estimated \$80 million OPEB liability be taken out of the reserves and transferred to the OPEB Trust. (Becker/Baldemor)

MOTION was made for the Board to move into Executive Session at 12:57 p.m. to discuss attorney/client privileged information. (Nip/Hidano) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Executive Session adjourned at 1:16 p.m.

B. Retiree Dental Plan Benefit Enhancement

Discussion held by Trustees, staff, and benefits consultant regarding what reserves have been used for and interest rates.

AMENDMENT TO MOTION was made for the Board to approve for the funding of the estimated \$80 million OPEB liability be taken out of the reserves and transferred to the OPEB Trust. (Becker/Baldemor) The motion failed. (Employer Trustees-4 YES-Baldemor, Becker, Hidano, Kawano; 1 NO-Zielinski/Employee-Beneficiary Trustees-2 YES-Nip, Zeghmi; 3 NO-Currivan Musto, Mossman, Uwaine)

Discussion held by Trustees, staff, and benefits consultant regarding justifications for increasing/enhancing the retiree dental plan.

MOTION WITH AMENDMENTS was made for the Board to approve to increase the retiree dental plan maximum from \$1,000 to \$2,000 effective January 1, 2015, excluding the HSTA VB retiree plan, with the associated rates discussed in Executive Session and using monies from EUTF's reserves to pay the additional premium cost for all of 2015. (Uwaine/Currivan Musto) The motion passed. (Employer Trustees-3 YES-Baldemor, Becker, Zielinski; 2 NO-Hidano, Kawano/Employee-Beneficiary Trustees-5)

Trustee Hidano stated that her "no" vote is consistent with her "no" vote from the previous Board meeting on this matter.

VII. NEW BUSINESS

A. Retiree Open Enrollment Dates – October 12, 2015 to October 30, 2015

MOTION was made for the Board to approve the retiree open enrollment period from October 12, 2015 through October 30, 2015. (Mossman/Currivan Musto) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

B. Delegation of Authority to EUTF Administrator

Trustee Mossman requested for this item to be on the agenda and explained that the motion that was approved at the April 2, 2013 Board meeting should be incorporated into the Delegation that was made in 2002. Trustee Uwaine stated that the point is that

contracts should not be signed unless authorized by the Board. In the future, the Board should discuss when a contract expires and needs to be executed what the Administrator should do. The Administrator will amend the delegation to incorporate the change and when approved by the Board.

C. EUTF Insurance - Fiduciary Liability, Public Officials Errors & Omissions, Crime, and Cyber Liability

Ms. Sandra Yahiro gave an update from the last Board meeting regarding whether the EUTF should continue to purchase insurance. Ms. Yahiro stated it is likely she will recommend terminating the crime insurance since the State's policy covers EUTF. Ms. Yahiro said she needs to get more information by the next Board meeting and plans to have specific recommendations. Trustee Hidano expressed her concern that Mr. Sandkuhler's report is unprofessional, not dated, and should be updated with their letterhead.

D. Pension Consulting Alliance Inc. (PCA) Change to Pension Consulting Alliance LLC.

Mr. Derek Mizuno summarized the restructuring of PCA and their name change.

MOTION was made for the Board to approve amending Pension Consulting Alliance, Inc. contract to change their name to Pension Consulting Alliance LLC.

(Mossman/Hidano) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

E. International Foundation of Employee Benefits Plans (IFEBP) Annual Conference

November 8, 2015 – November 11, 2015 in Honolulu, Hawaii

Ms. Sandra Yahiro summarized the background information for sending Trustees and/or staff to the IFEBP Annual conference. Discussion held by Trustees and staff that if Trustees are unable to attend the IFEBP annual conference, an EUTF staff person could fill their place or they may attend another IFEBP conference offered throughout the year.

MOTION was made for the Board to approve for all Board members to attend the 2015 Annual IFEBP conference in November 2015, plus five (5) EUTF staff members to be selected by the Administrator. (Mossman/Hidano) The motion passed unanimously.

(Employer Trustees-5/Employee-Beneficiary Trustees-5)

[Trustee Zeghmi left at 1:38 p.m.]

VIII. REPORTS

A. Administrator

1. Vitech Modified Phase II (no discussion held)

2. Expanding EUTF's Office Space

Ms. Sandra Yahiro gave an update on the EUTF's office space.

3. EUTF Website Review (no discussion held)
 4. Vitech Rebill Issue
Ms. Yahiro stated the Vitech rebill issue timeline was in the Board packet.
Discussion held by Trustees and staff regarding the timeline on pay periods.
 5. Customer Service Improvement Project (no discussion held)
 6. Health Benefit Plans Claims Audits
Ms. Yahiro stated a Status report from Segal was in the Board packet.
 7. Converting EUTF's Email System to Office 365 (no discussion held)
 8. EUTF Strategic Plan, Including Vision and Mission Statements (no discussion held)
 9. EUTF 2016/2017 Budget
Ms. Yahiro reported that the budget is in conference committee and summarized the positions the House and Senate approved/disapproved for the EUTF. Discussion held by Trustees and staff that the salaries include benefits.
 10. 2015 Active Employee Open Enrollment (no discussion held)
 11. Wellness (no discussion held)
- B. EUTF Managers' Operational Reports
1. Member Services Branch (MSB)
 - a. MSB Data Update (no discussion held)
 - b. MSB Staffing Update (no discussion held)
 - c. Carrier Reports (no discussion held)
 - d. 2015 Active Employee Open Enrollment (no discussion held)
 2. Information Systems (IS)
 - a. Active Employee's Open Enrollment 2015 (no discussion held)
 - b. Implementation of BU 14 (no discussion held)
 - c. V3 BAS Modified Phase II (Employer File Feed) [no discussion held]
 - d. Microsoft Office 365 Conversion (no discussion held)
 - e. Oracle Database Upgrade and Encryption (no discussion held)
 - f. EUTF Local Area Network Server and Workstation Encryption (no discussion held)
 - g. Hawaii Health Connector (no discussion held)
 - h. EUTF IS Vacancies (no discussion held)
 - i. Enrollment Counts (no discussion held)
 3. Financial Services Branch
 - a. Management Letter Corrective Action Plan Status (no discussion held)
 - b. Financial Statements as of February 28, 2015

Ms. Donna Tonaki summarized the Financial Statements as of February 28, 2015. Discussion held by Trustees and staff regarding the returns on the excess reserves, excess reserves returns will be fixed and emailed to the Board.

C. Segal

1. March 31, 2015 Experience Report

Mr. Tom Morrison summarized key findings of the March 31, 2015 Experience Report and a Wall Street Journal article on “The Uncontrollable Escalation of Cost by Drug Manufacturers” that was in the Board packet. Discussion held by Trustees, staff, and benefits consultant regarding antitrust litigation and actions CVS Caremark is taking to stay ahead of the curve.

2. December 31, 2014 Vendor Performance Guarantee Report

Mr. Morrison summarized the Vendor Performance Guarantee Report for the Fourth Quarter of 2014. Ms. Melissa Skoczyas from Kaiser explained the significant changes Kaiser has taken to improve their performance guarantees for the remainder of their existing contract and the new contract. Discussion held by Trustees and Ms. Skoczyas from Kaiser regarding the hiring of new and additional staff.

3. ACA Insurer Fee

Mr. Morrison explained the procedures/regulations regarding the Affordable Care Act (ACA) reinsurance fee. If there is a change or increase six months later, there is no way to go back to the employer or employee/retiree that they underpaid. The EUTF would be asking the Board’s authority/approval that if there is an increase to pay it out of the Trust Fund’s assets and if there is a refund it would be returned to the Trust Fund’s assets since the Trust will always be six months behind the close of the contract year. Otherwise, the Trust Fund would have to rebill. Ms. Yahiro stated this is just to let the Board know at this time. Discussion held by Trustees, staff, and benefits consultant that when the unfunded liability is computed, the surplus is not accounted for, which was one of the dilemmas that required the state legislation and the creation of a dedicated trust. Mr. Morrison explained how the OPEB liability is calculated.

D. Carrier Reports

1. CVS Caremark (no discussion held)

2. SilverScript (no discussion held)

3. Hawaii Dental Service (HDS)

Ms. Elaine Fujiwara introduced Mr. Mark Yamakawa, the new President and Chief Executive Officer (CEO) at HDS.

4. Hawaii Medical Service Association (HMSA) [no discussion held]

5. Kaiser Health Foundation (no discussion held)

6. Royal State Insurance (no discussion held)
 7. UnitedHealthcare (no discussion held)

 8. US Able Life
EUTF staff will remind US Able to sign their monthly reports.

 9. Vision Service Plan (VSP) [no discussion held]
- IX. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE
A. May 26, 2015, 9:00 a.m. – Regular Board Meeting
- X. ADJOURNMENT
MOTION was made for the Board to adjourn meeting at 2:41 p.m. (Baldemor/Currivan Musto) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Respectfully submitted,

/s/

Linda Currivan Musto, Secretary-Treasurer

APPROVED on May 26, 2015 as amended.

Documents Distributed:

1. Draft Board Minutes of 3/24/14. (8 pages)
2. 2015 Legislative Log – Active EUTF Bills dated 4/22/15. (5 pages)
3. Statement of Delegation of Authority, Adopted 7/9/2002. (1 page)
4. EUTF Board of Trustees Meeting Minutes of 4/2/13, page 2. (1 page)
5. EUTF Contracts/Leases dated 3/27/13. (1 page)
6. EUTF Current Contracts List. (5 pages)
7. Memorandum to Clients from PCA Regarding PCA Internal Restructuring dated 3/18/15. (1 page)
8. Letter to EUTF Administrator from PCA Regarding Assignment of the Contract from PCA Inc. to PCA LLC dated 3/26/15. (2 pages)
9. 61st Annual Employee Benefits Conference Brochure from 11/8-11/2015. (5 pages)
10. Administrator's Monthly Report to the Board from 3/18/15-4/22/15 dated 4/22/15. (3 pages)
11. Vitech Rebill Timelines dated 4/21/15. (1 page)
12. EUTF Customer Service Improvement Project Survey Results received between 3/20/15 and 4/20/15. (1 page)
13. Customer Service Automated Call Distribution Report, March 2015, April 2015, July to December 2013, January to December 2014, January to April 20, 2015 (4 pages)

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14. EUTF Actives and EGWP Plans – Prescription Claims Audit, April 17, 2015 – Project Plan Timeline. (2 pages)
15. Memorandum to BOT from MSB Manager Regarding March 2015 MSB Monthly Report dated 4/22/15. (1 page)
16. Memorandum to BOT from IS Analyst Regarding March IS Operations Report dated 4/20/15. (11 pages)
17. Memorandum to BOT from Financial Management Officer Regarding Financial Services Branch Report for April 28, 2015 BOT Meeting. (1 page)
18. EUTF Enterprise (Actives) Statement of Net Position 8 Months Ended February 28, 2015 (Preliminary-Unaudited) dated 4/22/15. (2 pages)
19. EUTF Enterprise (Actives) Statement of Revenue, Expenses and Changes in Net Position 8 Months Ended February 28, 2015 (Preliminary-Unaudited) dated 4/22/15. (2 pages)
20. EUTF Agency Fund (Retirees) – Statement of Fiduciary Net Position 8 Months Ended February 28, 2015 dated 4/22/15. (2 pages)
21. EUTF Agency Fund (Retirees) – Statement of Revenue and Expenses and Changes in Net Position 8 Months Ended February 28, 2015 (Preliminary-Unaudited) dated 4/22/15. (1 page)
22. EUTF Enterprise (Actives) & Agency (retirees) – Statement of Net Position 8 Months ended 2/28/15 (Preliminary-Unaudited) dated 4/22/15. (2 pages)
23. EUTF Enterprise (Actives) & Agency (Retirees) – Statement of Revenue, Expenses and Changes in Net Position 8 Months Ended February 28, 2015 (Preliminary-Unaudited) dated 4/22/15). (2 pages)
24. EUTF OPEB – Statement of Net Position 8 Months Ended February 28, 2015 (Preliminary-Unaudited) dated 4/22/15. (1 page)
25. EUTF OPEB – Statement of Revenue and Expenses 8 Months Ended February 28, 2015 (Preliminary-Unaudited) dated 4/22/15. (1 page)
26. Experience Accounting of CVS Caremark Actives Self-Funded Plans Summary of FYE 6/30/2014 & FYE 6/30/2015, February, dated 3/27/15. (1 page)
27. Experience Accounting of CVS Caremark Non-Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2014 & FYE 6/30/2015, February, dated 3/27/15. (1 page)
28. Experience Accounting of SilverScript Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2014 & FYE 6/30/2015, February, dated 3/27/15. (1 page)
29. EUTF Year to Date Contract Plan Experience Report Contract YTD through December 2014 dated 4/28/15). (127 pages)
30. Article on “Firm Buy Rival Drugs, Then Raise Their Prices” by Jonathan D. Rockoff & Ed Silverman. (2 pages)
31. Memorandum to BOT from Segal Consulting Regarding Performance Guarantee Reporting for the Fourth Quarter of 2014. (10 pages)
32. CVS Monthly Carrier Report for March 2015 dated 4/10/15. (17 pages)
33. CVS Health 2014 Annual Report received 4/14/15. (92 pages)
34. SilverScript Monthly Carrier Report for March 2015 dated 4/9/15. (3 pages)
35. HDS Monthly Carrier Report for March 2015 dated 4/10/15. (1 page)
36. HMSA Monthly Carrier Report for March 2015 dated 4/14/15. (2 pages)
37. Kaiser Monthly Carrier Report for March 2015 dated 4/10/15. (2 pages)
38. Royal State Insurance Monthly Carrier Reports for March 2015 (Group Term Life Plan,

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- Chiropractic Plan, Supplemental Medical Plan,) dated 4/2/15. (6 pages)
39. UnitedHealthcare Monthly Carrier Report for March 2015 dated 4/9/15. (1 page)
 40. US Able Life Monthly Carrier Report for March 2015 dated 4/9/15. (3 pages)
 41. VSP Monthly Carrier Report for March 2015 dated 4/9/15. (8 pages)
 42. EUTF Monthly Active and Retirees Rates Projection. (6 pages)