

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Administrative Committee Meeting
March 25, 2013

TRUSTEES PRESENT

Ms. Audrey Hidano, Chairperson
Mr. Dean Hirata

Ms. Karolyn Mossman
Mr. Clifford Uwaine (arrived 9:40 a.m.)

ATTORNEY

Deputy Attorney General Kyle Chang

EUTF STAFF

Ms. Sandra Yahiro, Acting Administrator
Ms. Donna Tonaki
Ms. Debbie Pfeffer

Ms. Bonny Kahalewai
Mr. Bert Nishihara
Ms. Nicole Wong

OTHERS PRESENT

Ms. Elaine Fujiwara, HDS
Mr. Gary Asato, HDS
Ms. Lynne Miura, Royal State
Ms. Monica Engle, VSP

Ms. Kawehi Keliipuleole, Kaiser
Ms. Heather Dinsmore, CVS Caremark
Ms. Lori Nishimura, C&C, Dept. of Human Resources

I. CALL TO ORDER

The meeting of the Administrative Committee was called to order at 9:36 a.m. by Trustee Audrey Hidano, Chairperson, in the EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Monday, March 25, 2013.

Chairperson Hidano requested to start working on rules revision before going into Executive Session. There being no objections by the Administrative Committee members, the following items were taken out of order.

III. EUTF ADMINISTRATIVE RULES REVISIONS – CHAPTERS 1, 2, 3, 4, AND 5

Ms. Sandra Yahiro summarized changes the Board made on Chapters 1-3 at the last meeting (see EUTF Administrative Rules Draft). Discussion held by Trustees and staff regarding changes made on Administrative Rules 1-4. [Trustee Uwaine arrived at 9:40 a.m.]

Discussion held by Trustees and staff on Rule 1.07 Meeting of the Board (d) (4) regarding the event of a deadlock and for the deputy attorney general come up with new language. Mr. Kyle Chang recommends the following language: “In the event of a deadlock in the vote of the Board, the Board may vote on the same question or resolution at the next two successive meetings of the Board. In the event of a deadlock in the vote of the Board on the same question or resolution at the two successive meetings of the Board, the Board shall vote on whether or not to engage in dispute resolution.” (The rest of the rule stays the same.)

Discussion was held by Trustees and staff on Rule 2.05 Emergency Appeals. Ms. Yahiro explained that emergency appeals are designed to be for life or death situations and that is how the revisions were made.

Discussion was held by the Trustees and staff on creating a sub-committee to hear appeals in between Board meetings. It was agreed that Ms. Yahiro would come up with language for creating a subcommittee of either 2 or 4 trustees for when appeals are received and the Board is not scheduled to meet within 30 days.

There being no objections by the Trustees, the Administrative Committee will move into Executive Session at this time and will continue to discuss administrative rules revisions after Executive Session.

II. EXECUTIVE SESSION

MOTION was made to move into Executive Session at 10:10 a.m. (Hirata/Mossman) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-2)

Executive Session adjourned at 12:02 p.m.

IV. DISCUSSION ON INTERNAL CONTROLS – PRESENTATION BY MR. WES MACHIDA, EMPLOYEES' RETIREMENT SYSTEM (ERS), ADMINISTRATOR

Mr. Wes Machida distributed documents to the Trustees and explained that ERS wanted to establish an internal audit. ERS hired consultant KMH, LLC to assist with establishing an internal audit function within the retirement system. It is a one-time contract which was in the budget and approved by the Director of Finance. ERS wanted to make sure that everything is safeguarded, ensure that there are proper internal controls in place, establish proper procedures, identify high risk areas and identify improvements that need to be made. This project started last year and covers two years and ends 2014. Mr. Machida cautioned that the EUTF Board should be aware of the impact on operations. It will take some time by the contractor to confer with staff in various areas to get an understanding of each area, clarify any issues that may arise and report to management and the Board on those issues. In the long run, Mr. Machida felt that it was well worth the effort for ERS. The cost is between \$500,000 - \$600,000.

III. EUTF ADMINISTRATIVE RULES REVISIONS – CHAPTERS 1, 2, 3, 4 AND 5

Discussion continued by Trustees, staff, and benefits consultant regarding Administrative Rules revisions. Mr. Tom Morrison of Segal was consulted via conference call on Rule 2.04 (e) Administrative Appeals, Appeal Timelines. Mr. Morrison explained that under the Affordable Care Act, a non-emergency appeal has to follow a declination of coverage which first comes from the Administrator and is within the 30 day time frame of when it is filed. The member has 30 days from receiving the denial of coverage due to eligibility to submit a written request for review of the administrator's denial to the full Board. The full Board has 45 days to act on the request from the postmark of the letter. If a member

delivers the appeal in person it should be time stamped in the EUTF office. Trustee Hirata recommended the beginning of the Rule 2.04 (e) to read: "The Board shall grant or deny the appeal within 45 days of the postmark date of the request for appeal." The rest of the rule stays the same.

Mr. Morrison was asked if he had reviewed changes to Rule 2.05 Emergency Appeals. He said that he did review it with the EUTF staff previously and said it looked okay.

Rule 4.12 Cancellation of Enrollment, Effective Dates of Cancellation. Discussion held between Trustees, staff, and benefits consultant on whether there is a law that a member could cancel at any time. Ms. Yahiro will check if there's a law.

Rule 4.14 Reinstatement of Enrollment. Trustee Mossman would like to add language regarding employees that go on legal strike and are unable to pay their premiums. She would like the members to be able to re-enroll once they pay the amount owed without having to wait until open enrollment. Discussion held by Trustees, staff, and benefits consultant on a timeline and what the carriers would require. Ms. Yahiro will check with the carriers and if it's not a problem with the carriers she can propose language. Discussion held by Trustees, staff, and benefits consultant as to which rule would need to be revised, Rule 4.10 or Rule 4.11. Ms. Yahiro stated that it can be reviewed further and discussed at the next Administrative Committee meeting.

V. FUTURE AGENDA ITEMS DISCUSSION and NEXT MEETING DATE

The next Administrative Committee meeting is tentatively scheduled for late April or early May. Review of the Administrative Rules will continue.

VI. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 1:16 p.m.

Respectfully submitted,

/s/

Audrey Hidano, Chairperson

APPROVED on May 31, 2013.

DOCUMENTS DISTRIBUTED:

1. EUTF Administrative Rules Draft dated March 5, 2013 (72 pages)
2. 2010 Memorandum from ERS Administrator to ERS Board of Trustees, Regarding "Report on Establishing an Internal Audit Function at the ERS" dated April 12, 2010. (2 pages)
3. Employees' Retirement System of the State of Hawaii - Internal Audit Charter,

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- revised May 14, 2012. (5 pages)
4. Employees' Retirement System of the State of Hawaii, Board of Trustees - Audit Committee Charter revised May 14, 2012. (6 pages)
 5. Employees' Retirement System - Risk Assessment and Proposed Internal Audit Plan (May 1, 2012 – June 30, 2014). (47 pages)