

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, February 25, 2014

TRUSTEES PRESENT

Ms. Linda Currivan Musto, Chairperson	Ms. Barbara Krieg
Ms. Julia Zeghmi, Vice Chairperson	Ms. Karolyn Mossman
Mr. Luis Salaveria, Secretary-Treasurer	Ms. Celeste Nip
Ms. Audrey Hidano	Mr. Clifford Uwaine (arrived 9:07 am)
Mr. Dean Hirata	Ms. Maria Zielinski (arrived 9:02 am)

TRUSTEES ABSENT: None

ATTORNEY

Mr. Kyle Chang, Deputy Attorney General

EUTF STAFF

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

OTHERS PRESENT

Ms. Cheryl Archer, Royal State	Ms. Kessy Kepaa, City DHR
Mr. Gary Asato, HDS	Mr. Monica Kim, VSP
Ms. Sandra Benevides, CVS Caremark	Ms. Mae Kishimoto, HSTA-R
Mr. Rick Edwards, CVS Caremark	Ms. Melissa Kunitake, Kaiser
Mr. Andrew Elliott, CVS Caremark	Mr. Doug Murata, Royal State
Mr. Christian Fern, HMSA	Mr. Teruo Nagasako, HMSA
Ms. Elaine Fujiwara, HDS	Ms. Brenda Shiroma, Benefit Plan Solutions, Inc.
Mr. Mark Fukuhara, ABC LLC	Mr. Vaughn Tokashiki, HSTA-R
Ms. Keiko Hiraoka, Lilly	Mr. Troy Tomita, Kaiser

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:01 a.m. by Trustee Linda Currivan Musto, Chairperson, in the EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, February 25, 2014.

[Trustee Zielinski arrived at 9:02 a.m.]

II. MINUTES

A. January 28, 2014

MOTION was made for Board to approve to defer this item until later on the agenda. (Mossman/Krieg) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

III. COMMITTEE REPORT

A. Administrative Committee Report

Ms. Sandra Yahiro summarized the Administrative Committee report.

1. Internal Controls Status Update

Discussion held by Trustees and staff regarding procedures and documentation on results. [Trustee Uwayne arrived at 9:07 a.m.] Trustee Hidano informed the Board that she emailed questions to the EUTF staff. The Administrator will document actions taken in writing and provide to the Board. There is only one critical control that needs to be addressed. The Administrator will prepare a plan for documentation and monitoring of Internal Controls and add it to the Administrator's report.

2. Administrative Rules Revision Project Status Update

Ms. Yahiro reported that copies of comments received from employers/union were in the Board's packet. The Administrator will meet with managers to review comments and/or recommendations and present recommendations to the Administrative Committee.

3. EUTF 2014 Legislation

This item will be addressed under Old Business on the agenda.

B. Investment Committee Report

1. December 31, 2013 Performance Report

2. December 31, 2013 Excess Reserves Performance Report

Ms. Kay Cesarani joined meeting via conference call at 9:31 a.m. Ms. Cesarani summarized the December 31, 2013 Performance and Excess Reserves Performance reports. Discussion held by Trustees and investment consultant regarding the Performance Report on REITS underperforming, that recommendations will be made by PCA at the next Investment Committee meeting, and that PCA's fees are not included in this report but on the EUTF Financial Statement. PCA will include its fees in future reports.

3. Presentation on Covered Calls

Ms. Cesarani briefly summarized presentation on covered calls that was presented by Gateway Investment Adviser at the Investment Committee meeting held on February 11, 2014. Ms. Cesarani explained the meaning of covered calls. Discussion held by Trustees and investment consultant regarding covered calls, that when funds grow the EUTF can look to other ways to invest. Trustee Hirata did request that PCA provide a list of passive/non passive funds. No comments from members of the public.

IV. OLD BUSINESS

A. 2014 EUTF-Related Legislation

A list of 2014 EUTF related bills were in the Board's packet. Ms. Sandra Yahiro summarized the EUTF related bills that are moving: (1) HB2642 (short bill)-making an appropriation to the EUTF; (2) HB2529, HD2 –Hawaii Health Connector; (3) HB2525, HD2-health insurance rates; (4) HB2427-housekeeping bill deleting directed investment; (5) HB2050-prescription drugs; (6) HB2265-extends task force report due date; (7) HB2262-reporting deaths to state agencies; (8) HB1763-mandates insurance commissioner to assess a fine; and (8) SB2173-imposes dollar limits on specialty tiers. SB2173 is not moving and would cost the EUTF a lot of money. Discussion held by Trustees and staff regarding short bills normally used as a vehicle. Going forward the EUTF staff will submit testimony on EUTF letterhead.

V. NEW BUSINESS

A. Payment of Affordable Care Act (ACA) Fees for Active Contract for July 1, 2013

A copy of the memorandum to the Board from Segal dated February 24, 2014 regarding payment of ACA fees for HMSA and Kaiser active plans was distributed to the Board. Mr. Tom Morrison summarized the memorandum regarding payment of ACA fees for HMSA and Kaiser active plans. Kaiser did confirm that they will not be invoicing the EUTF for these fees. Discussion held by Trustees, staff, and benefits consultant regarding why Kaiser and HMSA are handling fees differently, should fees be part of rates or administrative fees, reserves and how the surplus can be used, and that it is at the Board's discretion to use as rates or administrative fees.

MOTION was made for Board to approve the payment of the ACA fees for the HMSA active plans for the plan year, July 1, 2013 through June 30, 2014. (Krieg/Hirata) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

B. Filling Benefits & Investment Committees Vacancies

Trustee Maria Zielinski volunteered to serve on the Benefits and Investment Committees.

Trustee Barbara Krieg volunteered to serve on the Investment Committee.

Trustee Julia Zeghmi volunteered to serve on the Investment Committee.

Discussion held by Trustees and staff that if committees are increased to six (6) that it is difficult to hold a committee meeting because all committee members prefer to be present and how many should be present to hold a committee meeting. Quorum for committee meetings is: one (1) Employer Trustee/one (1) Employee-Beneficiary Trustee. There being no objections by the Board, if a committee needs to meet, a committee meeting will be held if there is a quorum (1/1).

- C. 60th Annual Employee Benefits Conference, Boston, MA – October 12-15, 2014
Ms. Sandra Yahiro summarized her recommendation that if Trustees do not attend the 60th Annual Employee Benefits Conference that she be authorized to fill the empty slots to send the deputy attorney general and EUTF staff to the conference. Discussion held by Trustees, staff, and benefit consultant if Trustees choose to not or cannot otherwise attend this conference that they be able to attend another conference of relevance to the EUTF Trustees. Other conferences offered on public entities are focused on specific topics. The EUTF staff will poll Trustees on who is able to attend the IFEBP annual conference or prefer to attend another conference this year. Trustees Hidano and Mossman expressed that they may want to attend another conference.

MOTION was made for Board to approve for ten (10) Trustees to attend the 60th Annual Employee Benefits Conference in Boston, MA from October 12-15, 2014, to allow Trustees to attend another conference if they prefer, and to authorize the Administrator to fill open slots for deputy attorney general and EUTF staff if Trustees are not attending any conference. (Krieg/Zeghmi) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

VI. REPORTS

A. Segal – Benefits Consultant Report

1. Presentation by Dr. Sadhna Paralkar, Segal, on Wellness and Total Health Management
Dr. Sadhna Paralkar summarized her presentation on Wellness and Total Health Management.

Recessed at 10:39 a.m. and Reconvened at 10:46 a.m.

B. Administrator

The Administrator's report was in Board's packet.

1. Vitech Modified Phase II (no Board discussion)
2. Bank of Hawaii Banking Services Progress (no Board discussion)
3. Administrative Rules Revision Project (no Board discussion)
4. Medicare Death Validation Project Update (no Board discussion)
5. Direct Deposit Project Update (no Board discussion)
6. Affordable Care Act Implementation
Ms. Sandra Yahiro reported that the part-time/temporary employees health coverage plan that EUTF plans to implement to assist State/County employers meet ACA requirement does not need to be implemented until July 1, 2016; however, in discussion with Benefits Committee Chair, Trustee Krieg; the EUTF will implement the plan July 1, 2015. This will give EUTF and the State/Counties one year lead time to work out any problems prior to the required July 1, 2016

date. Discussion held by Trustees, staff, and benefits consultant that it would be the board's decision on when to implement the coverage.

7. HIPAA Security & Compliance Audit (no Board discussion)
8. Expanding EUTF's Office Space (no Board discussion)
9. EUTF's Internal Controls (no Board discussion)
10. Premium/Rate Splits Different Between Bargaining Units and Between Employers (no Board discussion)
11. Business Associate Agreement with Department of Accounting & General Services and Employees Retirement System (no Board discussion)
12. EUTF Website Review (no Board discussion)
13. Vitech Rebill Issue
Discussion held by Trustees and staff regarding status of the rebill issue, who is responsible to pay, that the Administrator requested to switch project managers, that the credit will be used for the Modification Phase II, the EUTF has limited IT staff at this time, status of Vitech Phases, concerns expressed by Trustees regarding the on-going issues with Vitech, deliverables should be in writing. The Administrator will submit a report on Vitech status on projects, what is in the scope of the contract that Vitech is or is not doing and why not, and the deliverables in writing at the next Administrative Committee meeting to find out what has or needs to be done regarding outstanding issues. The EUTF Board requested that Vitech be invited to the next Administrative Committee meeting.
14. HB65, Act 226 SLH2013 (no Board discussion)
15. Customer Service Improvement Project (no Board discussion)
16. Other Post Employment Benefit (OPEB) Actuarial Valuation (no Board discussion)
17. FY15 Budget (no Board discussion)
18. Health Benefit Plans Claims Audits (no Board discussion)
19. Retroactive Rate Changes – BU 00, 10, 12 and 13 (no Board discussion)
20. RFPs for Medical and Prescription Drug Plans (no Board discussion)
21. 2013 W-2s and 1099s for Same-Sex Married Couples
Ms. Yahiro reported the EUTF had been doing something for the last few months that was incorrect for same-sex marriages in another state or foreign countries that recognizes same-sex marriages and covers their spouse under the EUTF plan. Lawfully married same-sex couples are no longer to be assessed imputed income for income tax purposes. The EUTF staff met with DAGS and DHRD to discuss this issue. EUTF and DHRD posted a notice regarding 1099s and W-2s on their own websites. Other employer jurisdictions were sent the notices and are passing it on so employees affected are notified.

C. EUTF Managers' and Program Specialist Operational Reports

The EUTF Managers' and Program Specialist Operational reports were in Board packet.

1. Member Services Branch (MSB)

- a. MSB Data Update (no Board discussion)
- b. MSB Staffing Level Update (no Board discussion)
- c. Carrier Reports for the Month of January (no Board discussion)
- d. Concerns Regarding Retiree Prescription Drug Coverage
Discussion held by Trustees, staff, and Ms. Sandra Benevides regarding erroneous letters sent to EUTF members that were due to coding and enrollment processing errors. Apology letters were sent to EUTF members to disregard letters. Counseling and additional quality checks were put in place by SilverScript.

2. Information Technology (IT)

- a. Employer and Employee Retroactive Rate Change for BUs 00, 10, 12 and 13 (no Board discussion)
- b. Active Employee's Open Enrollment 2014 (no Board discussion)
- c. IT Staff Vacancy (no Board discussion)
- d. V3 BAS Modified Phase II (Employer File Feed) [no Board discussion]
- e. Microsoft Office 365 Conversion (no Board discussion)
- f. HIPAA ePHI Security Policy Procedures (no Board discussion)
- g. Enrollment Counts (no Board discussion)

3. EUTF Program Specialist

a. Wellness Initiatives

Discussion held by Trustees and staff regarding the implementation of an on-line Health Risk Assessment and an on-worksites Biometric Screening program and asking B&F to participate in a pilot program. Trustee Krieg asked if the EUTF is working with HMSA and Kaiser and what the EUTF would do with the assessments because DHRD has done it before. The Administrator stated that the EUTF plans to present to the Benefits Committee the implementation of a pilot program. Trustee Salaveria suggests that the EUTF start with a smaller department. Further discussion will be held at the Benefits Committee meeting.

- b. Prescription Drug Claim Auditing Services Request for Proposals (RFP) (no Board discussion)

4. Accounting

a. Financial Statement as of November 30, 2013

Ms. Donna Tonaki summarized the Financial Statement as of November 30, 2013 and Experience reports. Discussion held by Trustees, staff, and benefits consultant regarding IBNR, reserves, counties pre-funding of OPEB funds. Ms. Tonaki will work with Administrator to send communication to counties regarding OPEB funds. Discussion held by Trustees, staff, and benefits consultant if the experience reports could be reconciled/combined for the Commercial and EGWP Wrap. In the upcoming year Segal could split the accounting to attempt to put the Commercial and EGWP in a separate report. Ms. Tonaki will also add the same footnote in CVS Caremark's report on the SilverScript Experience report.

D. Carrier Reports

1. CVS Caremark

Written report received. A Trustee commended CVS Caremark for its decision to stop selling cigarettes. Ms. Sandra Benevides introduced Mr. Rick Edwards, Manager for Strategic Account at CVS Caremark.

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)

No 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)

Mr. Vaughn Tokashiki, member of the public, commented regarding collecting Medicare Part B overpayments. He inquired how long should an executor of someone's account be responsible to pay the deceased person's bill(s). The executor is responsible as long as bill(s) are received. A suggestion was made by a Trustee that EUTF should deduct retiree's health premium (for those that pay a portion) from his/her ERS pension. The Administrator stated in a previous discussion with the ERS Administrator, he stated it would require a statutory amendment.

VII. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 11:50 a.m. for the reasons stated on the agenda. (Krieg/Hirata) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Executive Session adjourned at 12:59 p.m.

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

1. Approved four (4) Appeals to enroll newborns.
2. Approved Supplemental Contract for Royal State Life Insurance effective 7/1/2014.
3. Approved amendment to Pension Consulting Alliance's contract for study regarding sharing of investment information and services by EUTF and ERS.

II. MINUTES

1. January 28, 2014

The Board reviewed the draft minutes of January 28, 2014. The minutes will be amended as follows: (1) page 2, line 22, delete "assigning contracted to Atlas Insurance pending caveats (per Linda???)” and add "assignment with Arthur J. Gallagher and Atlas Insurance pending caveats”.

MOTION was made for Board to approve the minutes of January 28, 2014 as amended. (Mossman/Krieg) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

VIII. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE

- A. March 25, 2014, 9:00 a.m. – Regular Board Meeting

Trustee Mossman requested to add "Presentation on Neighbor Islands” on the next Board meeting agenda.

IX. ADJOURNMENT

MOTION was made for the Board to adjourn meeting at 1:05 p.m. (Hirata/Uwaine) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Respectfully submitted,

/s/

Luis Salaveria, Secretary-Treasurer

APPROVED on March 25, 2014 as amended.

Documents Distributed:

1. Draft Board Minutes of 1/28/14. (11 pages)
2. Memorandum to BOT from Administrative Committee Regarding 2/19/14 Meeting dated 2/19/14. (1 page)
3. Letter to Administrator from City & County of Honolulu Regarding Proposed Changes to EUTF Administrative Rules dated 2/7/14. (12 pages)
4. Letter to Administrator from County of Hawaii Regarding Proposed Changes to EUTF Administrative Rules dated 2/6/14. (2 pages)
5. Letter to Administrator from UPW Regarding Proposed Changes to EUTF Administrative Rules dated 2/3/14. (1 page)
6. Letter to Administrator from Judiciary Regarding Proposed Changes to EUTF Administrative Rules dated 1/10/14. (2 pages)
7. Memorandum to BOT from Investment Committee Regarding 2/11/14 Investment Committee meeting. (1 page)
8. EUTF Quarterly Report Executive Summary by PCA, Inc., December 2013 dated 2/3/14. (54 pages)
9. Presentation to the EUTF by Gateway Investment Adviser, LLC Regarding Covered Calls dated 2/11/14. (29 pages)
10. 2014 Legislative Session on Bills Related to the EUTF dated 2/20/14. (13 pages)
11. Memorandum to BOT from Segal Consulting Regarding Payment of Affordable Care Act Fees for HMSA and Kaiser Active Plans dated 2/24/14. (1 page)
12. 60th Annual Employee Benefits Conference Brochure, 10/12-15/2014 in Boston, MA. (4 pages)
13. Wellness and Total Health Management Presentation by Dr. Sadhna Paralkar, 2013. (19 pages)
14. Administrator's Monthly Report to the Board for 1/22/14-2/19/14 dated 2/19/14. (6 pages)
15. Customer Service Automated Call Distribution Report, December 2013 to January 2014 dated 1/22/14. (3 pages)
16. EUTF Customer Service Improvement Project Survey Results dated 2/19/14. (2 pages)
17. Customer Service Automated Call Distribution Report January, February 2014 and July to December 2013 and January to February 18, 2014. (3 pages)
18. Memorandum to BOT from MSB Manager Regarding MSB Operations Report dated 2/18/14. (1 page)
19. Memorandum to BOT from IS Analyst Regarding February IT Operations Report dated 2/18/14. (11 pages)
20. Memorandum to BOT from Program Specialist Regarding January 2014 Monthly Report dated 2/18/14. (1 page)
21. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2014 (Unaudited) for Current Month 11/30/13 dated 2/20/14. (2 pages)
22. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 5

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Board of Trustees Meeting

February 25, 2014 Minutes

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Months Ended 11/30/13 (Unaudited) dated 2/20/14. (2 pages)

23. EUTF Statement of Cash Flows 5 Month Ended 11/30/13 (Unaudited) dated 2/20/14. (1 page)
24. Experience Accounting of CVS Caremark Actives Self-Funded Plans Summary of FYE 6/30/2013 & FYE 6/30/2014 up to November 2013 dated 2/20/14. (1 page)
25. Experience Accounting of CVS Caremark Non-Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2013 & FYE 6/30/2014 through 6/30/13 dated 2/20/14. (1 page)
26. Experience Accounting of SilverScript Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2013 & FYE 6/30/2014 through 6/30/14 dated 6/30/13. (1 page)
27. CVS Monthly Carrier Report for January 2014 dated 2/10/14. (3 pages)
28. SilverScript Monthly Carrier Report January 2014 dated 2/10/14. (6 pages)
29. HDS Monthly Carrier Report for January 2014 dated 2/10/14. (4 pages)
30. Kaiser Monthly Carrier Report for January 2014 dated 2/7/14. (2 pages)
31. Royal State Insurance Monthly Carrier Reports for January 2014 (Supplemental Medical Plan, Chiropractic Plan, Group Term Life Plan) dated 2/6/14. (6 pages)
32. VSP Monthly Carrier Report for January 2014 dated 2/10/14. (9 pages)