HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, May 28, 2013

TRUSTEES PRESENT
Ms. Barbara Krieg, Vice Chairperson                      Ms. Celeste Nip
Ms. Linda Curivan Musto, Secretary-Treasurer            Mr. Luis Salaveria
Ms. Loretta Fuddy                                        Mr. Clifford Uwaine
Ms. Audrey Hidano                                       Ms. Julia Zeghmi
Ms. Karolyn Mossman

TRUSTEES ABSENT
Mr. Dean Hirata, Chairperson

ATTORNEY
Ms. Diane Erickson, Deputy Attorney General

EUTF STAFF
Ms. Sandra Yahiro, Acting Administrator                   Mr. Tom Morrison, Benefits Consultant
Ms. Donna Tonaki, Assistant Administrator (TA)            Mr. Robert Mitchell, Benefits Consultant
Ms. Maria Quartero                                        Ms. Kathleen Shiroma
Ms. Bonny Kahalewai                                       Ms. Nicole Wong
Mr. Bert Nishihara

OTHERS PRESENT
Ms. Gary Asato, HDS                                      Ms. Lynne Miura, Royal State
Ms. Sandra Benevides, CVS Caremark                       Mr. Teruo Nagasaki, HMSA
Ms. Monica Engle, VSP                                     Mr. Larry Nishihara, Retiree
Mr. Christian Fern, HMSA                                  Ms. Lori Nishimura, C&C-DHR
Ms. Elaine Fujiwara, HDS                                  Mr. Kimo Palakiko, HGEA-R
Ms. Beth Giesting, Governor’s Office                      Mr. Geoff Sewell, Kaiser-HPMG
Ms. Keiko Hiraoka, Lilly                                   Ms. Jill Shinno, Kaiser-HPMG
Mr. Nandana Kalupahana, House Finance                     Ms. Brenda Shiroma, Benefit Plan Solutions
Ms. Mae Kishimoto, HSTA-R                                  Mr. Vaughn Tokeshiki, HSTA-R
Mr. Brian Matsuura, GSK                                    Mr. Troy Tomita, Kaiser
Mr. Chris Miura, Kaiser-HPMG                               Mr. Patrick Williams, HMSA

I. CALL TO ORDER
The regular meeting of the Board of Trustees was called to order at 9:01 a.m. by
Trustee Barbara Krieg, Vice-Chairperson, in the EUTF Conference Room, 201
Merchant Street, Honolulu, Hawaii, on Tuesday, May 28, 2013.

II. MINUTES
A. April 2, 2013
The Board reviewed the draft minutes of April 2, 2013. Discussion held by Trustees
and staff regarding pending items reflected on minutes.
MOTION was made for the Board to approve the minutes of April 2, 2013 as circulated. (Loretta Fuddy/Mossman) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

III. COMMITTEE REPORTS
1. Benefits Committee
   1. Other Post Employment Benefits (OPEB)
      Chair Krieg reported that the Benefits Committee’s discussion was on the unfunded liability (OPEB). Mr. Luis Salaveria as Deputy Director of Finance did a presentation on OPEB which will be presented to the Board later on the agenda.

2. Investment Committee
   1. Quarterly Performance Report for March 2013
      Ms. Kay Ceserani, Investment Consultant from PCA, joined the meeting via conference call. Ms. Ceserani summarized and reviewed the March 31, 2013 Quarterly Performance report with the Board. Discussion held by Trustees, staff, and investment consultant that the trend has declined but the equity benchmark was higher and still strong. Ms. Ceserani stated no recommendations for changes needed at this time. The Asset (TIP) manager will do review in late June 2013. Later this year the asset allocation review will be done and then recommendations will be made. An asset allocation review is normally done every two to five years, which one was done at the November 2012 Investment Committee meeting.

   2. Training on Risk vs. Reward Trade-Off and Role of Assets/Strategic Classes
   3. Investing Excess Reserves
      Ms. Ceserani reported that PCA had discussions with the EUTF staff and is in the process of evaluating what type of risk the portfolio can have. Once determined PCA will inform board and make recommendations on what type of funds it should be. PCA is still in progress of collecting information. At the end of April 2013, the fund was up another 2.9% ($327 million). The portfolio continues to do well. No comments were made from the public.

IV. OLD BUSINESS
A. EUTF-Related Legislation Update
   Ms. Sandra Yahiro summarized and gave an update regarding: (1) HB65, HD2, SD2, CD1 – Related to Prescription Drugs (mail order); (2) HB546, HD2, SD2, CD1 – Related to EUTF’s Unfunded Liability; (3) SB847, SD2, HD1, CD1 –Related to Resets in the Base Monthly Contributions (BMC); (4) HCR81 – Urging EUTF Board to pay Tricare Reserve Select Premium. Discussion held by Trustees, staff, and benefits consultant regarding these bills.

   MOTION was made for the Board to recommend that the Governor veto HB65, HD2, SD2, CD1 – Related to Prescription Drugs (mail order). (Uwaine/Currivan Musto)
After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

MOTION was made for the Board to acknowledge receipt of HCR81, filed, and no action will be taken by the Board. (Uwaine/Salaveria) After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Discussion held by Trustees, staff, and benefits consultant regarding the Base Monthly Contributions (BMC) and caps for Medicare Part B premiums currently and in the future.

Overview by Ms. Sandra Yahiro regarding the IFEBP 59th U.S. Annual Conference.

MOTION was made for the Board to approve all Trustees to attend the IFEBP 59th U.S. Annual Conference from October 20-23, 2013 and for any budgeted unspent money to allow for the Acting Administrator to decide four (4) additional EUTF staff who should attend conference. (Uwaine/Fuddy) After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Mr. Vaughn Tokashiki, member of the public asked if the Governor signed HB546, HD2, SD2, CD1 – Related to EUTF’s Unfunded Liability or SB847, SD2, HD1, CD1 –Related to Resets in the Base Monthly Contributions (BMC), would there be a conflict if EUTF Trustees were selected to the task force and who will be setting up the Trust Fund for the public employer contributions. Trustee Salaveria stated the Trust Fund is already created in statute, the retiree funds are irrevocable, and the EUTF will maintain contributions but each employer will be managing. The Director of Finance will be a designee to the Task Force and does not know who else at this time since the bill is not signed yet. Discussion held by Trustees, staff, benefits consultant, and Mr. Tokashiki if Governor signs SB847, SD2, HD1, CD1 –Related to Resets the Base Monthly Contributions (BMC) will there be any impact to the retirees and if so, the retirees would pay out of pocket. Vice-Chairperson Krieg stated it would be better for the Governor to sign the bill because the BMC is higher.

V. NEW BUSINESS
A. Election of Board Chair, Vice-Chair, Secretary-Treasurer
Trustee Linda Currivan Musto is nominated for Chairperson (Uwaine/Nip)

MOTION was made for Board to close nominations. (Hidano/Zeghmi) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)
MOTION was made for Board to appoint Trustee Linda Currian Musto Chairperson of the EUTF. (Hidano/Zeghmi) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Trustee Julia Zeghmi was nominated for Vice-Chairperson. (Uwaine/Hidano)

MOTION was made for Board to close nominations. (Fuddy/Uwaine) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

MOTION was made for Board to appoint Trustee Julia Zeghmi Vice-Chairperson of the EUTF. (Fuddy/Uwaine) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Trustee Luis Salaveria was nominated for Secretary-Treasurer. (Krieg/Uwaine)

MOTION was made for Board to close nomination. (Krieg/Uwaine) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

MOTION was made for Board to appoint Trustee Luis Salaveria Secretary-Treasurer of the EUTF. (Krieg/Uwaine) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

B. Board Meeting Schedule July 2013 to June 2014
Discussion held by Trustees, staff, and benefits consultant regarding having a meeting every month, appointing a sub-committee for emergency appeals for only the self-insured plan with CVS Caremark, and that the law is very clear regarding procedures for emergency appeals.

By consensus, the Trustees agree to the draft board meeting schedule from July 2013 to 2014 and to add Board meeting on April 22, 2013.

C. Cyber Risk Insurance Coverage Recommendation by Gallagher
Mr. William Sandkuhler summarized and reviewed with the Board the Cyber Liability Insurance Proposal. Discussion held by Trustees, staff, and Mr. Sandkuhler regarding the Cyber Risk insurance coverage (GET taxes, licensing, appropriate levels of coverage, and that the EUTF does have the money). Mr. Sandkuhler stated that Gallagher does not pay GET taxes but pays surplus lines to the State Insurance Commissioner and Gallagher is licensed in Hawaii. The Acting Administrator recommends the purchase of the Cyber Risk insurance coverage for $5 million with Beazley.

MOTION was made for the Board to approve the purchase of the Cyber Risk insurance coverage for $5 million with Beazley for 18 months as recommended by Gallagher and the Acting Administrator. (Uwaine/Fuddy) After discussion held by
the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

C. Presentation by Luis Salaveria on Other Post Employment Benefits
Mr. Luis Salaveria, Deputy Director of Finance summarized the presentation on OPEB. Discussion held by Trustees, staff, and benefits consultant regarding the presentation on benefit levels and Hawaii’s growing liability.

E. Presentation by Beth Giesting, State Healthcare Transformation Coordinator
Trustee Hidano introduced Beth Giesting. Overview by Ms. Giestling regarding the State’s healthcare. Discussion held by Trustees, staff, and Ms. Giesling regarding the EUTF’s role, the Affordable Care Act (ACA), and wellness programs now and in the future.

Recessed at 11:10 am and Reconvened 11:20 am

F. Presentation by Kaiser on Healthcare Transformation
Overview by Dr. Geoff Sewell from Kaiser. Discussion held by Trustees, staff, Dr. Sewell, and member of the public regarding ID fraud and the kinds of security Kaiser provides.

G. Retiree Open Enrollment Dates Recommendation October 4, 2013 to October 31, 2013
Overview by Ms. Sandra Yahiro regarding the retiree open enrollment dates from October 4, 2013 to October 31, 2013.

MOTION was made for the Board to approve the retiree open enrollment dates from October 4, 2013 to October 31, 2013 as recommended by the Acting Administrator. (Mossman/Uwaine) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

H. Incorrect Bargaining Unit Designations Resulting in Collection of Back Premiums
Ms. Sandra Yahiro summarized the background and incorrect BU designations that will result in the collection of back premiums. The Department of Human Resources is in discussion with unions regarding this issue. Discussion held by Trustees and staff on who is responsible for collecting monies when incorrect BU designations can be caused by a combination of EUTF and Employer error, a question came up regarding whether there is a State law that covers collecting monies owed by employees. It was stated that the EUTF is only source with this data, and some Trustees expressed concern about collecting monies from employees and that it is not the EUTF’s responsibility to do collections and it should be worked out with employer for enforcement of payment. Trustee Uwaine stated it is his position that the Board not take any action. Ms. Diane Erickson stated she will research and report back to the Board.
Mr. Vaughn Tokashiki, member of the public, commented in regards to the incorrect BUs, they should be held harmless and those owed money back should have a premium holiday.

VI. REPORTS
A. Acting Administrator
   Overview by Ms. Sandra Yahiroy regarding the Acting Administrator’s report.
   1. Vitech Phase II
   2. Bank of Hawaii Banking Services Progress
   3. Administrative Rules Revision Project
   4. 2013 Open Enrollment for Active Employees
   5. Medicare Death Validation Project Update
   6. Direct Deposit Project Update
   7. Affordable Care Act Implementation
   8. Biennium Budget
   9. Implementation of EGWP Wrap Benefit Update

   10. CVS Implementation Guarantee
       Segal and EUTF are reviewing the new figures submitted by CVS Caremark and will report back to the Board.

   11. Legislative Update
   12. Cyber Risk Insurance

   13. Specialty Medications
       CVS is working with OnCare to make arrangements.

   14. HIPAA Security & Compliance Audit
   15. COBRA Training for EUTF Staff
   16. Expanding EUTF’s Office Space

   17. EUTF’s Internal Controls
       The EUTF’s Internal Controls report is not ready and will be presented at the Administrative Committee meeting after May 31, 2013.

   18. Correction of Bargaining Unit Designations
       The corrections will be done by July 1, 2013.

   19. Premium/Rate Splits Different Between Bargaining Units and Between Employers

   20. EUTF HIPAA Security Breach
Discussion held by Trustees, staff, and benefits consultant regarding the EUTF HIPAA security breach and that the EUTF can get sued. Mr. Tom Morrison stated it is very clear that there was a breach. With federal law, the EUTF is taking the steps to limit the liability.

21. Business Associate Agreement (BAA) with Department of Accounting & General Services (DAGS) and Employees Retirement System (ERS)
Ms. Sandra Yahiro summarized that we should have BAA with DAGS and ERS. Mr. Luis Salaveria will assist but needs more information to proceed.

B. EUTF Managers’ Operational Reports
The managers’ operational reports were in the Board’s packet.

1. Member Services Branch (MSB)
   a. MSB Data Update
   b. MSB Staffing Level Update
   c. Open Enrollment for Active Employees and COBRA for Plan Year 2013
   d. Fall Open Enrollment for Retiree Coverage Effective January 1, 2014

2. Information Technology (IT)
   a. Prescription Drug Transition – Active Employees and Non-Medicare Retirees
   b. Prescription Drug Transition – Medicare Retirees
   c. Office of Information Management & Technology (OIMT) Transformation Internship Program Update
      Talk to Randy.
   d. Information Systems Branch Reorganization and IT Staff Vacancy
   e. Enrollment Counts

3. Accounting
   a. Personnel for Accounting
   b. Financial Statement as of March 31, 2013
      Mr. Bert Nishihara summarized the financial statement as of March 31, 2013. Discussion held by Trustees, staff, and benefits consultant regarding the investment valuation report and bank statements from Bank of Hawaii, the savings from the EGWP wrap, the drug formulary changes that CVS Caremark makes every quarter.

C. Segal – Benefits Consultant Report
1. Quarterly Performance Report
2. Performance Guarantees for Carriers
3. Update on Affordable Care Act
4. Update on COBRA Staff Training Project
5. Update on HIPAA Security Audit and Review
5. Review of EUTF Website  
Discussion held by Trustees, staff, and benefits consultant regarding how far along the EUTF is at regarding implementing changes suggested by Segal in their review.

6. Pharmacy Benefit Manager Audit  
Segal recommends that the EUTF Acting Administrator commence negotiations with CVS Caremark on the selection of the pharmacy benefit manager auditor.

MOTION was made for the Board to authorize the EUTF Acting Administrator to commence negotiations with CVS Caremark on the selection of the pharmacy benefit manager auditor as recommended by Segal. (Mossman/Currivan Musto) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

D. Carrier Reports  
1. CVS Caremark  
Ms. Sandra Benevides reported that she had a discussion with Oncare regarding CVS Caremark and Oncare coming to an agreement and will have another meeting with them next week. Discussion held by Trustees and Ms. Benevides regarding the CVS Formulary.

2. SilverScript  
3. Hawaii Dental Service (HDS)

4. Hawaii Medical Service Association (HMSA)  
Mr. Christian Fern introduced Mr. Teruo Nagasaki. Mr. Fern will still responsible over the management responsibilities.

5. Kaiser Health Foundation  
6. Royal State Insurance

7. Vision Service Plan (VSP)  
Discussion held by Trustees and Ms. Monica Engle regarding the EUTF specific phone number VSP offered to install. The Board asked VSP to proceed with installing and offering it.

Discussion held by Trustees, staff and Mr. Vaughn Tokashiki, member of the public regarding direct deposits.

VII. COMMUNICATION FROM EMPLOYEE REGARDING CVS CAREMARK  
Employee that requested to address the Board in person did not attend Board meeting. Ms. Sandra Yahiro stated that the employee requested that the concern regarding CVS
Caremark be discussed in public session, the name not be redacted for the Board, and the employee was informed of the meeting date and time.

VIII. EXECUTIVE SESSION
MOTION was made for the Board to move into Executive Session at 12:49 p.m. for the reasons stated on the agenda. (Curivan Musto/Fuddy) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Executive Session adjourned at 1:12 p.m.

Vice-Chairperson Krieg reported that the Board has taken the following actions in Executive Session.

1. Approved six (6) Appeals to waive requirement to enroll in Medicare Part B
2. Approved two (2) Appeals to submit enrollment form for newborn within thirty days of birth.
3. Denied two (2) Appeals to Changing Effective Date of Coverage of health benefit plans.
4. Denied one (1) Appeal to change the effective date of coverage.

IX. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE
A. June 25, 2013, 9:00 a.m. – Regular Board Meeting
   Segal quarterly performance report and review of EUTF website will remain on the agenda.

X. ADJOURNMENT
There being no objections by the Trustees, the meeting adjourned at 1:14 p.m.

Respectfully submitted,

/s/
Linda Curivan Musto, Secretary-Treasurer

APPROVED on August 27, 2013.

Documents Distributed:
1. Draft Board Minutes of April 4, 2013. (15 pages)
2. Memorandum from Benefits Committee Regarding 4/10/13 Benefits Committee meeting dated 5/22/13. (1 page)
3. Memorandum from Administrative Committee Regarding 5/17/13 Administrative Committee meeting. (1 page)
5. Memorandum to Board from PCA Regarding Preliminary Investment Deliverable Agenda for 2013/2014 dated 5/22/13. (1 page)
6. PCA Risk vs. Reward Trade-off for EUTF dated May 2013. (14 pages)
7. PCA Strategic Class Discussion for EUTF dated May 2013. (63 pages)
8. EUTF Legislative Update dated 5/3/13. (1 page)
10. Draft Proposed Board Meeting Dates for 7/1/2013-6/30/2013. (1 page)
11. State of Hawaii, Department of Budget & Finance Regarding OPEB. (16 pages)
12. Presentation on “Health System Change in Hawai’i: an opportunity for EUTF by Beth Giesling. (3 pages)
13. Kaiser Permanente Presentation on Healthcare Transition. (1 page)
16. Memorandum to BOT from MSB Manager Regarding MSB Operations Report dated 5/10/13. (1 page)
17. Memorandum to BOT from IS Analyst Regarding May IT Operations Report dated 5/25/13. (8 pages)
20. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 8 Months Ended 2/28/13 (Unaudited). (2 pages)
24. Memorandum to BOT from Segal Regarding Status of Current Projects dated 5/27/13. (3 pages)
27. Memorandum to BOT from Segal Regarding Performance Guarantee Reporting for 2012. (3 pages)
29. Segal’s Health Care Reform Timeline for Calendar-Year Group Health Plans dated 5/1/13. (2 pages)
30. Application for Health Coverage & Help Paying Costs (Short Form) from Segal. (5 pages)
31. New Health Insurance Marketplace Coverage Options and Your Health Coverage Form from Segal. (3 pages)
32. Health Coverage from Jobs, Appendix A. (2 pages)