

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, June 24, 2014

TRUSTEES PRESENT

Ms. Linda Currivan Musto, Chairperson	Mr. Dean Hirata
Ms. Julia Zeghmi, Vice Chairperson	Ms. Celeste Nip
Mr. Luis Salaveria, Secretary-Treasurer	Ms. Maria Zielinski (arrived 9:16 am)
Ms. Audrey Hidano	

TRUSTEES ABSENT

Ms. Barbara Krieg	Mr. Clifford Uwaine
Ms. Karolyn Mossman	

ATTORNEY

Mr. Kyle Chang, Deputy Attorney General

EUTF STAFF

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

OTHERS PRESENT

Ms. Cheryl Archer, Royal State	Mr. Steve Johnston, VSP
Mr. Gary Asato, HDS	Ms. Kessy Kepaa, C&C DHR
Ms. Sandra Benevides, CVS Caremark	Ms. Monica Kim, VSP
Mr. Rick Edwards, CVS Caremark	Ms. Mae Kishimoto, HSTA-R
Mr. Andrew Elliott, CVS Caremark	Ms. Melissa Kunitake, Kaiser
Ms. Elaine Fujiwara, HDS	Mr. Doug Murata, Royal State
Mr. Mark Fukuhara, ABC LLC	Mr. Teruo Nagasaki, HMSA
Ms. Beth Giesting, Gov's Office	Mr. Dan Purcell, Public
Mr. Glen Haneda, HMSA	Ms. Brenda Shiroma, Benefit Plan Solutions, Inc.
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 9:02 a.m. by Trustee Linda Currivan Musto, Chairperson, in the EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, June 24, 2014.

II. MINUTES

A. May 27, 2014

The Board reviewed the draft minutes of May 27, 2014. The minutes will be amended as follows: (1) page 2, line 40, delete "Hirano" and add "Hidano".

MOTION was made for the Board to approve the minutes of May 27, 2014 as amended. (Hirata/Hidano) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

III. COMMITTEE REPORT

A. Investment Committee

1. International Equity Change Recommendation

Chair Curri van Musto stated that this agenda item was presented at the last Board meeting for a vote at this meeting.

MOTION was made for the Board to approve the replacement of the Vanguard FTSE All-World ex-US Index Fund with the Vanguard Total International Stock Index as recommended by PCA. (Hirata/Salaveria) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

B. Benefits Committee

1. CVS Caremark's Specialty Preferred Drug Plan (Step Therapy)

Ms. Sandra Yahiro summarized the discussion held by the committee regarding the CVS Caremark's Specialty Preferred Drug Plan (Step Therapy). Discussion held by Trustees, staff, deputy attorney general, and benefits consultant that this change does not include HSTA VB until a decision is made on the pending lawsuit. Further discussion by Trustees, staff, benefits consultant, and members of the public (Ms. Mae Kishimoto and Mr. Dan Purcell) that this step therapy program does not apply to HSTA VB members so HSTA VB members would follow procedures already in place. Ms. Sandra Benevides clarified that the EUTF already have a step therapy program in place, explained the procedures, and how it would apply to members that start a new specialty medication.

MOTION was made upon the recommendation of the Benefits Committee for the Board to approve the implementation of the Specialty Preferred Drug Plan (Step Therapy) for the EUTF active members (not HSTA VB) and non-Medicare retirees (not HSTA VB) effective as soon as it can be implemented. (Hidano/Hirata) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

2. CVS Caremark's Compound Medication Prior Authorization Program

Ms. Yahiro summarized the discussion held by the committee on CVS Caremark's Compound Medication Prior Authorization Program. [Trustee Zielinski arrived at 9:16 a.m.] Discussion held by Trustees, staff, benefits consultant, and CVS Caremark on how long the approval process will take, concerns about high utilization and high cost medication, ingredients that may not be FDA approved, prior authorizations, the cost of \$300 is per prescription, notifying members well in advance, and to give CVS Caremark three months to implement this program if approved.

MOTION was made upon the recommendation of the Benefits Committee for the Board to approve the implementation of the Compound Medication Prior Authorization Program (for compound medications costing \$300 or more) for the EUTF active employee members (not HSTA VB) and non-Medicare retirees (not HSTA VB) effective as soon as it can be implemented. (Salaveria/Hirata) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

3. CVS Caremark's Safety and Monitoring Enhanced Program
Ms. Yahiro summarized the discussion held by the committee on CVS Caremark's Safety and Monitoring Enhanced Program. No action was taken by the committee.
4. CVS Caremark's Value Formulary (no Board discussion)
5. HMSA Case Management Program
Ms. Yahiro summarized the discussion held by the committee on HMSA's Case Management Program.
6. Affordable Care Act (ACA) Medical and Prescription Drug Out-of-Pocket Maximums
Ms. Yahiro reported that Segal informed the Board on the ACA medical and prescription drug out-of-pocket maximums.

IV. OLD BUSINESS

A. Vitech Timelines

A copy of the report on Vitech System and Timelines were in the Board's packet. Mr. Derek Mizuno stated the timeline from retro adjustments for BU 06, 09, and 11 is changed from 12/31/14 to 8/31/14. Discussion held by Trustees and staff regarding how the EUTF is or will be informing members affected, and the rebill issues and the warranty. The rebill issues have been identified. Trustee Hidano stated she is concerned that there are still issues but is glad that the EUTF staff is on top of it.

B. Outreach & Training Plan

Ms. Nicole Wong summarized the Outreach and Training plan. Discussion held by Trustees and staff on the schedule which can be adjusted as requested, who pays or who should pay for the travel costs, and due to budget issues certain counties are unable to pay. Some Trustees have expressed their concern that one county pays while the EUTF pays for other counties and that travel cost should be fair and consistent for all. The counties should plan and budget for these travel costs. The EUTF will work to be consistent with all counties. Discussion held by staff and members of the public (Ms. Mae Kishimoto and Mr. Dan Purcell) regarding being

able to ask questions during webinars and that face to face training is preferred and the issue on who pays or should pay for travel cost should be resolved.

V. NEW BUSINESS

A. Letter of Support for State Innovation Model Design

Ms. Beth Geisting, Healthcare Transformation Director, distributed a copy of the "State of Hawaii, Healthcare Innovation Plan", February 2014 to the Board and summarized the report. Discussion held by Trustees that Board members may want to sign the letter of support.

MOTION was made for the Board to approve a letter of support for the State Innovation Model design. (Salaveria/Hirata) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

VI. REPORTS

A. Administrator

Administrator

1. Vitech Modified Phase II (no Board discussion)
2. Administrative Rules Revision Project (no Board discussion)
3. Medicare Death Validation Project Update
Ms. Sandra Yahiro reported that DOH signed the MOA to share information with EUTF. The first file reported deaths from 2000 to present and had 135,639 records for the EUTF to match our database. Mr. Raymond Kan reported that the file was received this morning. This project has been on-going for approximately three years.
4. Direct Deposit Project Update (no Board discussion)
5. Affordable Care Act Implementation (no Board discussion)
6. Expanding EUTF's Office Space (no Board discussion)
7. EUTF's Internal Controls
Trustee Hidano asked when this item will get cleared. Ms. Yahiro stated that the EUTF would like to but have not had the time to work on it.
8. Premium/Rate Splits Different Between Bargaining Units and Between Employers (no Board discussion)
9. Business Associate Agreement (BAA) with Department of Accounting & General Services (DAGS) and Employees' Retirement System (ERS) [no Board discussion]
10. EUTF Website Review (no Board discussion)
11. Vitech Rebill Issue (no Board discussion)
12. HB65, Act 226 SLH2013 – Mandatory Mail (no Board discussion)
13. Customer Service Improvement Project (no Board discussion)

14. Other Post Employment Benefits (OPEB) Actuarial Valuation (no Board discussion)
15. Health Benefit Plans Claims Audits (no Board discussion)
16. Retroactive Rate Changes – BU’s 00, 10, 12 and 13 (no Board discussion)
17. RFPs for Medical and Prescription Drug Plans (no Board discussion)
18. 2013 W-2s and 1099s for Same-Sex Married Couples (no Board discussion)
19. Request for Proposals for Dental, Vision and Life (no Board discussion)
20. Active Employee Open Enrollment – April 7, 2014 to May 2, 2014 (no Board discussion)
21. Converting From Lotus Notes to Office 365 (no Board discussion)
22. New Phone System (no Board discussion)

23. Halau Lokahi Charter School

Sandra Yahiro reported Halau Lokahi employees did not receive their June 5, 2015 paychecks and summarized her report on the Halau Lokahi Charter School. Very little information was received. On June 16, 2014, the EUTF received a copy of a lay-off letter that was given to Halau Lokahi ‘s employees. The EUTF Administrator made a decision to terminate coverage of the school’s employees effective May 31, 2014. After the EUTF processes, those employees will get COBRA notices. Discussion held by Trustees and staff regarding the Halau Lokahi Charter School and speculations from different entities. At this time, the EUTF only received a copy of a lay-off that was sent to Halau Lokahi employees. Mr. Dan Purcell, member of the public, stated he is concerned that the Deputy Director of Finance will deal with this issue when it comes up instead of having a plan to deal with it. Trustee Salaveria stated that he cannot act as the Deputy Director of Finance but only as a Trustee on the EUTF Board and can only deal with the facts in front of him now.

B. EUTF Managers’ and Program Specialist Operational Reports

1. Member Services Branch (MSB)
 - a. MSB Data Update (no Board discussion)
 - b. MSB Staffing Level Update (no Board discussion)
 - c. Active Employee Open Enrollment (no Board discussion)
 - d. Carrier Reports for the Month of May (no Board discussion)
2. Information Systems (IS) Branch
 - a. Employer and Employee Retroactive Rate Change for BU’s 00, 10, 12 and 13 (no Board discussion)
 - b. Active Employee’s Open Enrollment 2014 (no Board discussion)
 - c. IS 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. Oracle Database Upgrade and Encryption (no Board discussion)
 - g. EUTF Local Area Network Server and Workstation Encryption (no Board discussion)

- h. Enrollment Counts (no Board discussion)
- 3. EUTF Program Specialist
 - a. Wellness Initiatives (no Board discussion)
 - b. Prescription Drug Claim Auditing Services Request for Proposal (RFP) [no Board discussion]
- 4. Financial Services Branch
 - a. Actuarial Valuation Report and OPEB Trust (no Board discussion)
 - b. Analysis of Excess Cash and Unrestricted Net Assets (no Board discussion)
 - c. Retroactive Bargaining Unit Rate Changes Effective July 1, 2013 (BU 10, 12, 13) [no Board discussion]
 - d. Personnel for Financial Services Branch (no Board discussion)
 - e. Financial Statements as of April 30, 2014 (no Board discussion)

Ms. Donna Tonaki summarized the financial statements as of April 30, 2014. Discussion held by Trustees and staff regarding the financial statements as of April 30, 2014 and for the EUTF to reduce the overpayment of premium. The experience plan expectation will be addressed in Segal's report.

C. Segal – Benefits Consultant Report

1. March 31, 2014 Quarterly Financial Report

Mr. Tom Morrison summarized the March 31, 2014 Quarterly Financial Report and reviewed the key finds in that report. It was noted by Mr. Morrison, that the emerging experience in the self-insured drug plan that is illustrated in this report for the active employees was the main reason why the recommended increase in active rates of 25% for the plan year commencing July 1, 2014 were made. The report, according to Mr. Morrison shows an experience loss to the EUTF of 21% through the 3rd quarter of the plan year. The Board has addressed this experience loss in approving the recommended rate increase in its previous meeting. Mr. Morrison also pointed out that the HMSA plan experience by bargaining unit is contained in the Appendix to the report. He also stated that there is no material change in the cost by bargaining unit from the previous quarter's report.

Discussion held by staff and Mr. Dan Purcell, member of the public regarding Information Systems upgrades and encryption.

D. Carrier Reports

- 1. CVS Caremark (no Board discussion)
- 2. SilverScript (no Board discussion)
- 3. Hawaii Dental Service (HDS) [no Board discussion]
- 4. Hawaii Medical Service Association (HMSA) [no Board discussion]
- 5. Kaiser Health Foundation (no Board discussion)
- 6. Royal State Insurance (no Board discussion)
- 7. Vision Service Plan (VSP) [no Board discussion]

Recessed at 10:20 a.m. and Reconvened 10:32 a.m.

VII. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 10:32 a.m. for the reasons stated on the agenda. (Nip/Salaveria) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

Executive Session adjourned at 11:00 a.m.

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

1. Approved Award of Contract for Dental, Vision, and Life Insurance.
2. Approved two (2) Appeals for late enrollment of newborns.

VIII. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE

A. July 22, 2014, 9:00 a.m. – Regular Board Meeting

Discussion held by Trustees and staff that several Trustees are unable to attend. The EUTF staff will poll Board for available dates in July 2014.

IX. ADJOURNMENT

MOTION was made for the Board to adjourn meeting at 11:01 a.m. (Zeghmi/Hidano) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

Respectfully submitted,

/s/

Luis Salaveria, Secretary-Treasurer

APPROVED on August 26, 2014.

Documents Distributed:

1. Draft Board Minutes of 5/27/14. (10 pages)
2. Memorandum to BOT from Investment Committee Regarding 5/14/14 Investment Committee Meeting dated 5/21/14. (1 page)
3. Memorandum to BOT from Benefits Committee Regarding 6/2/14 Benefits Committee Meeting dated 6/17/14. (3 pages)
4. Memorandum to BOT from Administrator Regarding Vitech System and Timelines dated 6/18/14. (3 pages)
5. Memorandum to BOT from Administrator Regarding 2014-2015 Outreach & Training

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- Plan dated 6/23/14. (5 pages)
6. State of Hawaii Healthcare Innovation Plan, February 2014. (34 pages)
 7. Administrator's Monthly Report to the Board for 5/27/14 – 6/18/14 dated 6/18/14. (6 pages)
 8. Customer Service Automated Call Distribution Report, July to December 2013 & January to 6/15/14 and May 2014-June 2014 dated 6/16/14. (3 pages)
 9. EUTF Customer Service Improvement Project Survey Results dated 6/18/14. (2 pages)
 10. Memorandum to BOT from MSB Manager Regarding MSB Operations Report dated 6/17/14. (1 page)
 11. Memorandum to BOT from IS Analyst Regarding May IT Operations Report dated 6/17/14. (11 pages)
 12. Memorandum to BOT from Program Specialist Regarding May 2014 Monthly Report dated 6/16/14. (1 page)
 13. Memorandum to BOT from Financial Management Officer Regarding Financial Services Branch Report for June 24, 2014 BOT Meeting. (1 page)
 14. EUTF Actuarial Valuation Report as of 7/1/13 by Gabriel Roeder Smith & Company dated 5/30/14. (53 pages)
 15. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2014 (Unaudited) for Current Month 4/30/14 dated 6/16/14. (2 pages)
 16. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 10 Months Ended 4/30/14 (Unaudited) dated 6/16/14. (2 pages)
 17. Experience Accounting of CVS Caremark Actives Self-Funded Plans Summary of FYE 6/30/2013 & FYE 6/30/2014 up to April 2014 dated 6/12/14. (1 page)
 18. Experience Accounting of CVS Caremark Non-Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2013 & FYE 6/30/2014 through 6/30/14 dated 6/12/14. (1 page)
 19. Experience Accounting of SilverScript Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2013 & FYE 6/30/2014 through 6/30/14 dated 6/12/14. (1 page)
 20. EUTF Year to Date Contract Plan Experience Report Contract YTD through March 2014 dated 6/24/14. (133 pages)
 21. CVS Monthly Carrier Report for May 2014 dated 6/10/14. (22 pages)
 22. SilverScript Monthly Carrier Report May 2014 dated 6/10/14. (9 pages)
 23. HDS Monthly Carrier Report for May 2014 dated 6/10/14. (3 pages)
 24. HMSA Monthly Carrier Report for May 2014 dated 6/13/14. (2 pages)
 25. Kaiser Monthly Carrier Report for May 2014 dated 6/10/14. (3 pages)
 26. Royal State Insurance Monthly Carrier Reports for May 2014 (Group Term Life Plan, Chiropractic Plan, Supplemental Medical Plan,) dated 6/6/14. (6 pages)
 27. VSP Monthly Carrier Report for May 2014 dated 6/10/14. (8 pages)