

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Minutes of the Board of Trustees

Tuesday, August 23, 2016

TRUSTEES PRESENT

Mr. Roderick Becker, Chairperson
Ms. Audrey Hidano, Vice Chairperson
Mr. Gordon Murakami, Secretary-Treasurer
Ms. Linda Currivan Musto

Ms. Celeste Nip
Dr. Virginia Pressler
Mr. Clifford Uwaine

TRUSTEES ABSENT

Mr. Wesley Machida
Mr. James Nishimoto

Ms. Julia Sanchez

ATTORNEY

Mr. Kyle Chang, Deputy Attorney General

EUTF STAFF

Mr. Derek Mizuno, Administrator
Ms. Donna Tonaki, Assistant Administrator
Ms. Maria Quartero
Ms. Linda Green
Ms. Bonny Kahalewai

Mr. Thomas Morrison, Benefits Consultant
Mr. Raymond Kan
Mr. Rodney Shinno
Mr. Kuan Yuan

OTHERS PRESENT

Ms. Marissa Adachi, HMSA
Ms. Nikki Bassett, USABLE Life
Ms. Sandra Benevides, CVS Health
Mr. Eric Dunkirk, VSP
Ms. Elaine Fujiwara, HDS
Mr. Dale Goya, HMSA
Ms. Susan Goya, HGEA-R
Mr. Galen Haneda, HMSA
Mr. Alfred Herrera, ETS
Ms. Keiko Hiraoka, Lilly

Ms. Danielle Jones, UHC
Ms. Mae Kishimoto, HSTA-R
Mr. Christopher Letoto, HMSA
Ms. Melissa Maino, CVS Health
Mr. Douglas Murata, Royal State
Mr. Ben Paul, Public
Ms. Romala Radcliffe, SHPDA
Dr. Marc Rosen, HMSA
Mr. Troy Tomita, Kaiser
Mr. Derek Vale, DOH

I. CALL TO ORDER

The meeting of the Board of Trustees was called to order at 9:00 a.m. by Chairperson Roderick Becker, in the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, August 23, 2016.

II. MINUTES

A. August 12, 2016

The Board reviewed the draft minutes of August 12, 2016.

MOTION was made for the Board to approve the minutes of August 12, 2016 as circulated. (Murakami/Currivan Musto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

III. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 9:10 a.m. (Nip/Currivan Musto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

Executive Session adjourned at 11:43 a.m.

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

1. Approved the Executive Session minutes of August 12, 2016.
2. Took an appeal under advisement.
3. Approved an appeal for retroactive reinstatement of coverage.
4. Approved delegation of authority to the Administrator to approve retroactive reinstatement of coverage related to late submission of proof of Medicare Part B enrollment.
5. Denied an appeal for a late corrective action.
6. Approved the award of contract for prescription drug audit services under RFP No. 16-001.
7. Approved the cancellation of the medical, dental, vision, and life benefit plan audits scope of work portion of RFP No. 16-001.
8. Approved the extension of the Gabriel Roeder Smith & Company contract for actuarial services through June 30, 2018 and an amendment to add services to comply with GASB 74 and 75.
9. Approved the selection of two investment managers for the Global Options strategy subject to due diligence and/or contract negotiation.

IV. OLD BUSINESS

A. HMSA Proposed Benefit Plan Design Change Effective January 1, 2017

Mr. Derek Mizuno summarized the recommendation by the EUTF staff and the benefits consultant to add the annual physical examination benefit to the EUTF non-Medicare and Medicare retiree medical plans as proposed by HMSA. Discussion held by the Trustees, staff, and benefits consultant regarding the HMSA proposed benefit plan design change, and concerns about transferring \$7.2 million to the OPEB Trust. Further discussion held by the Trustees, staff, benefits consultant, and HMSA on how communication to the non-Medicare and Medicare retirees will be clear and informative.

Recessed at 11:58 a.m. and reconvened at 12:10 p.m.

MOTION was made for the Board to add the annual physical examination benefit (100% in network and 70% out-of-network) to the EUTF HMSA non-Medicare and Medicare retiree medical plans as recommended by EUTF staff and the benefits consultant and to transfer \$7.2 million from the unrestricted, unreserved retiree funds to the OPEB Trust. (Pressler/Hidano)

AMENDED MOTION was made for the Board to add the annual physical examination benefit (100% in network and 70% out-of-network) to the EUTF HMSA non-Medicare and Medicare retiree medical plans as recommended by EUTF staff and the benefits consultant. (Nip/Uwaine) The motion failed. (Employer Trustees-1 YES-Pressler, 2 NO-Becker, Hidano/Employee-Beneficiary Trustees-4 YES-Currivan Musto, Murakami, Nip, Uwaine)

Further discussion by the Trustees regarding the transferring of the \$7.2 million to the OPEB Trust.

Original Motion restated:

MOTION was made for the Board to add the annual physical examination benefit (100% in network and 70% out-of-network) to the EUTF HMSA non-Medicare and Medicare retiree medical plans as recommended by EUTF staff and the benefits consultant and to transfer \$7.2 million from the unrestricted, unreserved retiree funds to the OPEB Trust. (Pressler/Hidano) The motion passed. (Employer Trustees-3 YES-Becker, Hidano, Pressler/Employee-Beneficiary Trustees-3 YES-Currivan Musto, Murakami, Nip, 1 NO-Uwaine)

V. COMMITTEE REPORTS

A. Investment Committee Report

1. Private Equity Investment Policy Statement

Mr. Colin Bebee joined the meeting via conference call. Mr. Kuan Yuan and Mr. Derek Mizuno summarized the Private Equity and Private Real Estate Investment Policy Statements. Discussion held by the Trustees, staff, and Mr. Bebee regarding the strategy to add co-investment structure.

MOTION was made for the Board to approve the Private Equity Investment Policy Statement as recommended by PCA and as amended by the Investment Committee to add co-investment structures and an option to request General Partner presentation of potential investments. (Hidano/Pressler) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

2. Private Real Estate Investment Policy Statement

MOTION was made for the Board to approve the Private Real Estate Investment Policy Statement as recommended by PCA and as amended by the Investment Committee to add an option to request General Partner presentation of potential investments. (Nip/Pressler) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

3. June 30, 2016 Performance Report Including Excess Reserves
Mr. Colin Bebee summarized the June 30, 2016 performance report.

4. Long Term Treasury Investment Manager Recommendation
Mr. Yuan and Mr. Bebee summarized the recommendation of the Investment Committee for the U.S. Long Term Treasury investment manager.

Discussion held by the Trustees, staff, and deputy attorney general regarding when the public may make comments. Further discussion held by the Trustees, staff, and investment consultant regarding the strategies.

MOTION was made for the Board to approve the recommendation of the Investment Committee to select Ryan Labs Asset Management as the U.S. Long Term Treasury investment manager, subject to contract negotiations. (Pressler/Nip) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

VI. NEW BUSINESS

A. Legislative Proposals for 2017 Legislative Session

Mr. Mizuno summarized the EUTF staff's recommended legislative proposals for the 2017 legislative session. Discussion held by the Trustees and staff regarding adoptions and classification of civil service and exempt positions.

MOTION was made for the Board to amend the definition of a child to exclude those born or legally adopted 10 months after the death of an employee, killed in the performance of duty or eligible to retire, or a retiree, and to clean up two typographical errors for the 2017 legislative session. (Nip/Pressler) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

MOTION was made for the Board to add a provision to limit the amount of time the EUTF must hold unclaimed property less than \$500 to 10 years for the 2017 legislative session. (Hidano/Curriuan Musto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

MOTION was made for the Board to amend the statutes to allow conversion of employees from exempt to civil service status and for certain new positions to be classified as civil service for the 2017 legislative session. (Uwaine/Pressler) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

MOTION was made for the Board to exempt the EUTF from Chapter 432 for the 2017 legislative session. (Pressler/Hidano) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

B. All Payer Claims Database Presentation

Mr. Mizuno gave background information on the All Payer Claims Database Steering Committee. Mr. Derek Vale from the Department of Health and Mr. Alfred Herrera from the Office of Enterprise Technology Services summarized the Project Overview for the EUTF. Mr. Adam Dreher and Ms. Linda Green from the EUTF have been assigned to a committee that will assist with the development of data analysis tools.

VII. REPORTS

A. Segal

1. IBNR Recommendation for Self-Insurance Pharmacy Benefit Plan
2. Plan Performance Report through June 30, 2016
3. Performance Guarantee Report through June 30, 2016

B. Administrator

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

1. Death checks
2. Adult disabled child project
3. Student certification project
4. HMSA covering chiropractic services
5. HMSA limited prescription drug benefits
6. HMSA specialty prescription drug benefits
7. Steering Committee for Implementation of HB2482 All Payer Claims Database
8. Administration Staffing Update
9. Conference Call on 08/16/16 with Med-QUEST Director

C. EUTF Managers' and Program Specialist Operations Reports

The EUTF Managers' and Program Specialist Operations Reports were in the Board's packet.

1. Member Services Branch (MSB)
 - a. MSB Data
 - b. MSB Customer Service Improvement Project – Survey Results
 - c. MSB Staffing Update
 - d. Carrier Reports
2. Information Systems (IS)
 - a. Retiree Open Enrollment 2017

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- b. V3 BAS Modified Phase II (Employer File Feed)
 - c. Vitech Rebill Issue
 - d. Oracle Database Upgrade and Encryption
 - e. EUTF Computer Encryption
 - f. Maui Memorial, Kula Community and Lanai Community Hospitals Electronic Termination
 - g. IS Staffing Update
 - h. Enrollment Counts
 - 3. EUTF Program Specialist Report
 - a. Preventative Health and Wellness Benefits
 - b. Disease Management (DM) Benefits
 - c. Benefit Plan Audit Services
 - 4. Financial Services Branch
 - a. Management Letter Corrective Action Plan Status
 - b. Electronic Payment by Members
 - c. 2016 Financial Audit
 - d. Financial Services Branch Staffing Update
 - e. Financial Statements as of June 30, 2016
- D. Carrier Reports
- 1. CVS Caremark
Written report submitted.
 - 2. SilverScript
Written report submitted.
 - 3. Hawaii Dental Service (HDS)
Written report submitted.
 - 4. Hawaii Medical Service Association (HMSA)
Written report submitted.
 - 5. Kaiser Health Foundation
Written report submitted.
 - 6. Royal State Insurance
Written report submitted.
 - 7. UnitedHealthcare
Written report submitted.
 - 8. USABLE Life
Written report submitted.

9. Vision Service Plan (VSP)
Written report submitted.

VIII. NEXT MEETING DATE

- A. September 27, 2016, 9:00 a.m. – Regular Board Meeting
Chairperson Becker will not be able to attend the next Board meeting. Trustee Uwaine requested to add “Agenda Order” at the next Board meeting. Trustees will notify the Administrator if they have any other items to add to the agenda.

IX. ADJOURNMENT

MOTION was made for the Board to adjourn meeting at 1:06 p.m. (Nip/Hidano) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

Respectfully submitted,

/s/

Gordon Murakami, Secretary-Treasurer

APPROVED on September 27, 2016.

Documents Distributed:

1. Draft Board Minutes of 8/12/16. (7 pages)
2. Memorandum to BOT from Investment Committee Regarding 8/16/16 Investment Committee Meeting dated 8/18/16. (2 pages)
3. Memorandum to BOT from Administrator Regarding Proposed 2017 Legislation dated 8/17/16. (12 pages)
4. Hawaii Health Data Center: A State of Hawaii & University of Hawaii Collaboration, Project Overview for the EUTF dated 8/23/16. (23 pages)
5. Memorandum to BOT from Segal Consulting Regarding June 30, 2016 IBNR Calculation dated 8/16/16. (2 pages)
6. EUTF Year to Date Contract Plan Experience Report Contract Year to Date through June 2016 dated 8/23/16. (37 pages)
7. Administrator’s Monthly Report to the Board from 7/16/16-8/16/16. (2 pages)
8. Memorandum to BOT from MSB Manager Regarding July-August 2016 MSB Operations Report dated 8/12/16. (7 pages)
9. Memorandum to BOT from IS Analyst Regarding July-August 2016 IS Operations Report dated 8/12/16. (11 pages)
10. Memorandum to Administrator from Program Specialist Regarding July-August 2016 EUTF Program Specialist Report dated 8/12/16. (2 pages)
11. Memorandum to BOT from Assistant Administrator Regarding July-August 2016 Financial Services Branch (FSB) Report dated 8/10/16. (2 pages)

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12. EUTF Enterprise (Actives) Statement of Net Position 12 Months Ended June 30, 2016 (Preliminary-Unaudited) dated 8/17/16, EUTF Enterprise (Actives) Statement of Revenue, Expenses and Changes in Net Position 12 Months ended June 30, 2016 (Preliminary-Unaudited) dated 8/17/16, EUTF Agency (Retirees) – Statement of Fiduciary Net Position 12 Months Ended June 30, 2016 (Preliminary-Unaudited) dated 8/17/16, EUTF Agency (Retirees) – Statement of Revenue and Expenses and Changes in Net Position 12 Months Ended June 30, 2016 (Preliminary-Unaudited) dated 8/17/16, EUTF OPEB Statement of Net Position 12 Months Ended June 30, 2016 (Preliminary-Unaudited) dated 8/17/16, EUTF OPEB Statement of Revenue and Expenses 12 Months Ended June 30, 2016 (Preliminary-Unaudited) dated 8/17/16. (6 pages)
13. Experience Accounting of CVS Caremark Actives Self-Funded Plans Summary of FYE 6/30/2015 & FYE 6/30/2016, dated 8/18/16, Experience Accounting of CVS Caremark Non-Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2015 & FYE 6/30/2016, dated 8/18/16, Experience Accounting of SilverScript Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2015 & FYE 6/30/2016 dated 8/18/16. (3 pages)
14. CVS Caremark Monthly Carrier Report for July 2016 dated 8/8/16. (17 pages)
15. SilverScript Monthly Carrier Report for July 2016 dated 8/8/16. (5 pages)
16. HDS Monthly Carrier Report for July 2016 dated 8/10/16. (3 pages)
17. HMSA Monthly Carrier Report for July 2016 dated 8/12/16. (2 pages)
18. Kaiser Monthly Carrier Report for July 2016 dated 8/10/16. (2 pages)
19. Royal State Insurance Monthly Carrier Reports for July 2016 (Chiropractic and Supplemental Medical Plans) dated 8/8/16. (4 pages)
20. UnitedHealthcare Monthly Carrier Report for July 2016 dated 8/8/16. (1 page)
21. USABLE Life Monthly Carrier Report for July 2016 dated 8/5/16. (2 pages)
22. VSP Monthly Carrier Report for July 2016 dated 8/9/16. (8 pages)