

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Minutes of the Board of Trustees

Tuesday, February 27, 2018

TRUSTEES PRESENT

Mr. Gordon Murakami, Chairperson

Ms. Celeste Nip, Vice Chairperson (excused at 10:30 a.m.)

Ms. Laurel Johnston, Secretary-Treasurer

Mr. Roderick Becker

Ms. Linda Currivan Musto

Mr. Christian Fern

Ms. Audrey Hidano

Dr. Virginia Pressler (excused at 10:19 a.m.)

Mr. Clifford Uwaine

TRUSTEES ABSENT: None

ATTORNEY

Mr. Michael Chambrella, Deputy Attorney General

EUTF STAFF

Mr. Derek Mizuno, Administrator

Ms. Donna Tonaki, Assistant Administrator

Ms. Maria Quartero

Ms. Amy Cheung

Ms. Linda Green

Ms. Shannon "Heather" Hall

Ms. Bonny Kahalewai

Mr. Thomas Morrison, Benefits Consultant

Mr. Raymond Kan

Ms. Emily Kaneakua

Ms. Jessica McDonald

Ms. Lara Nitta

Mr. Kuan Yuan

OTHERS PRESENT

Ms. Marissa Adachi, HMSA

Ms. Nikki Bassett, USABLE

Ms. Carol Bernal, HMA

Ms. Sandra Benevides, CVS Health

Mr. John Flanigan, Bank of Hawaii

Ms. Elaine Fujiwara, HDS

Ms. Susan Goya, HGEA-R

Mr. Galen Haneda, HMSA

Ms. Keiko Hiraoka, Lilly

Ms. Monica Kim, VSP

Ms. Mae Kishimoto, HSTA-R

Ms. Angela Kohls, Kaiser

Mr. Brandon Kumabe, HMSA

Ms. Minna Lehti, HDS

Mr. Chris Magnussen, HMSA

Mr. Douglas Murata, Royal State

Mr. Glenn Park, HGEA-R

Ms. Michelle Suckow, CTI

Mr. Troy Tomita, Kaiser

Ms. Jennifer Woo, C&C-DHR

I. CALL TO ORDER

The meeting of the Board of Trustees was called to order at 9:01 a.m. by Chairperson Gordon Murakami, in the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board Room, 201 Merchant Street, Suite 1700, Honolulu, Hawaii, on Tuesday, February 27, 2018.

II. MINUTES – January 8, 2018

The Board reviewed the draft minutes of January 8, 2018.

MOTION was made and seconded to approve the minutes of January 8, 2018 as circulated. (Currivan Musto/Nip) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

III. EXECUTIVE SESSION

MOTION was made and seconded for the Board to move into Executive Session at 9:03 a.m. (Pressler/Currivan Musto) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

The regular meeting reconvened from Executive Session at 10:31 a.m.

Chairperson Murakami reported that the Board took the following actions in Executive Session:

1. Approved the Executive Session minutes of January 8, 2018.
2. Approved Appeal #1 for reinstatement of coverage due to non-payment.
3. Approved Appeal #2 for reinstatement of coverage due to non-payment.
4. Approved Award of Contract for RFP 18-002 Actuarial Services.
5. Approved a private equity manager.
6. Approved premium rates for active employees effective July 1, 2018 for HMSA, Kaiser, HDS and VSP.

IV. NEW BUSINESS

- A. Claim Technologies, Inc. Claims Audit Reports (HMSA and chiropractic plans actives 7/1/13 – 6/30/16 and retirees 1/1/14 – 12/31/15, and life insurance plan actives 7/1/13 – 6/30/15 and retirees 1/1/14 – 12/31/14

Ms. Michelle Suckow, Claim Technologies, Inc. (CTI), presented the results of their audits of the carriers and time periods noted above. Ms. Suckow reported that in general the results of the audit were positive as the carriers had strong controls and processes in place. However, CTI identified findings and recommendations that were presented to the Board. Trustee Audrey Hidano asked about a finding regarding HMSA not recovering overpayments < \$100. Ms. Suckow explained that HMSA does not recover overpayments < \$100 that are not automatically recovered. Mr. Derek Mizuno requested HMSA to provide a listing of overpayments < \$100 during the audit period related to EUTF plans that have not been recovered. CTI and EUTF staff will continue to work with the carriers to resolve open items and will report back to the Board.

- B. 2018 EUTF Related Legislation

Mr. Mizuno described the EUTF proposed bills, bills EUTF staff are recommending a position, and other bills of interest.

MOTION was made and seconded to support HB694/SB2788 to establish a health analytics program for the all payer claims database as recommended by staff. (Johnston/Currivan Musto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

MOTION was made and seconded to oppose HB2466 relating to the elimination of the two-year retroactive limitation on Medicare Part B premium income adjustments as recommended by staff. (Johnston/Fern) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

MOTION was made and seconded to oppose HB887 relating to the OPEB unfunded liability as recommended by staff. (Johnston/Hidano) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

MOTION was made and seconded to oppose SB2555 relating to investments in fossil fuels at House Finance as recommended by staff. (Johnston/Curriuan Musto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

V. INVESTMENT COMMITTEE REPORT

A. December 31, 2017 Performance Report Including Excess Funds

Mr. Colin Bebee, Pension Consulting Alliance (PCA), summarized the December 31, 2017 Quarterly Performance Report including the Excess Reserves.

B. Quarterly Real Estate Report – Q3 2017

Mr. Kuan Yuan summarized the first EUTF Quarterly Real Estate Report – Q3 2017. Mr. Yuan noted that private real estate is reported on a one quarter lag.

C. 2018 Strategic Allocation Review: Part 1 of 2

Mr. Yuan summarized the new asset classes and groupings to be used by PCA in the asset allocation model to develop potential strategic asset allocations for the Investment Committee's consideration at their March 13, 2018 meeting.

D. Microcap Update

Mr. Yuan reported on the transition of microcap assets from Granite to Acuitas. The transition was managed by a transition manager previously approved by the Board and started mid-January 2018 and was completed last week.

E. Investment Policy Statement Update

1. Benchmark Update

2. Rebalancing Policy

Mr. Yuan discussed the proposed changes to the Investment Policy Statement to address benchmarks and the rebalancing policy. Trustee Johnston recommended changes to the wording of the rebalancing revisions. EUTF staff, the deputy attorney general and PCA will review the wording and present to the Investment Committee for possible recommendation to the Board.

F. Investment Activity Update

Mr. Yuan reported on the status of the funding of private real estate and private equity commitments.

MOTION was made to approve the Investment Committee's recommendation to approve the revisions to the Investment Policy Statement regarding the total portfolio benchmark and rebalancing as amended. (Johnston/Hidano)

After discussion by the Trustees and staff, Trustees Johnston and Hidano withdrew the Motion.

VI. OLD BUSINESS

A. CVS Program – Enhanced Specialty Guideline Management Without Grandfathering
Mr. Mizuno reported that CVS had recommended at the January 8, 2018 Board meeting the Enhanced Specialty Guideline Management program with grandfathering because of the disruption that it would cause and the potential legal issues that would arise since the rheumatoid arthritis and hereditary angioedema prior authorization were lifetime exceptions. CVS will provide more information on the lengths of the prior authorizations and the reasons.

B. Revised Actuarial Valuation Report as of July 1, 2017
Mr. Mizuno reported that the aggregate employer actuarial valuation as of July 1, 2017 approved at the January 8, 2018 Board meeting included just one year of the annual required contribution (ARC), fiscal year 2019. For budgeting purposes, the State has requested that their report include the ARC for fiscal years 2019 and 2020. As a result, the aggregate employer actuarial valuation must also be updated to reflect this change.

MOTION was made and seconded to accept the revised July 1, 2017 actuarial valuation aggregate employer report and the assumptions and methods contained therein, which includes the State's fiscal year 2020 annual required contribution. (Johnston/Currivan Musto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

VII. REPORTS

A. Segal

Mr. Tom Morrison, Segal Company, presented the following items to the Board.

1. Quarterly Plan Performance Report
2. Quarterly Performance Guarantee Report
Discussion was held by the Trustees and benefits consultant regarding HDS penalty not affecting members.
3. Federal Legislative Update
4. Segal Quarterly Trend Report

B. Administrator

1. HMSA limited prescription drug benefits
2. Administration staffing update
3. Meetings with legislators and unions
4. Public engagement
5. Strategic plan 1/1/15 – 12/31/17
Mr. Mizuno highlighted the final follow up on the 1/1/15 – 12/31/17 strategic plan. The EUTF staff is working on an easier to follow strategic plan status report for the period 1/1/18 – 6/30/21.

6. Wall Street Journal article 2/14/18 and PCA and staff response
Mr. Mizuno highlighted the Wall Street Journal article and the response from PCA and staff noting that the article misrepresented the strategy, the risk and its components.

C. EUTF Managers', Program Specialist and Benefits Audit Specialist Reports

The Managers, Benefits Audit Specialist, and Program Specialist reports were in the Board packet.

1. Member Services Branch (MSB)
 - a. MSB Data
 - b. MSB Customer Service Improvement Project – Survey Results
 - c. MSB Staffing Update
 - d. Informational Sessions for Employee-Organizations
 - e. Carrier Reports
2. Information Systems (IS)
 - a. Active Employees Open Enrollment 2018
 - b. Medicare Part B Reimbursements for 2018
 - c. V3 Benefits Administration System (V3 BAS) Modified Phase II (Employer File Feed)
 - d. Vitech Rebill Issue
 - e. EUTF Health Benefits Hardware Server Replacement
 - f. Electronic Deductions
 - g. V3 BAS Feasibility Study
 - h. IS Staffing Update
 - i. Enrollment Counts
3. EUTF Benefits Audit Specialist Report
 - a. Domestic Partner Recertification (Retirees)
 - b. Surviving Spouse/Surviving Child
 - c. Spouses with Self and Two-Party Plans
 - d. Additional Audits to be Initiated by 6/30/18
4. EUTF Program Specialist Report
 - a. Worksite wellness
 - b. Preventive health
 - c. Chronic disease management
5. Financial Services Branch (FSB)
 - a. FSB Performance Data
 - b. Management Letter Corrective Action Plan Status
 - c. EUTF Collections
 - d. Electronic Payment by Members
 - e. Financial Statements as of November 30 and December 31, 2017

D. Carrier Reports

The carrier reports were in the Board packet.

1. CVS Caremark
2. SilverScript

3. Hawaii Dental Service (HDS)
Trustee Linda Currivan Musto recognized HDS for participating in Lanikila Meals on Wheels program by providing oral health kits.
4. Hawaii Medical Service Association (HMSA)
5. Kaiser Health Foundation
Trustee Currivan Musto recognized Kaiser's award for excellence in cancer care.
6. Royal State Insurance
7. UnitedHealthcare
8. US Able Life
9. Vision Service Plan (VSP)

VIII. NEXT MEETING DATE

- A. Thursday, March 29, 2018 at 9:00 a.m. – HMSA presentation and Diabetes Prevention Program
Due to lack of quorum, the March 29, 2018 Board meeting will be rescheduled.
Ms. Maria Quartero will poll the Trustees.

IX. ADJOURNMENT

MOTION was made and seconded for the Board to adjourn the meeting at 12:04 p.m. (Hidano/Currivan Musto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

Respectfully submitted,

/s/

Laurel Johnston, Secretary-Treasurer

APPROVED on April 5, 2018.

Documents Distributed:

1. Draft Board Minutes of 1/8/18. (6 pages)
2. Claims Administration Audits, Royal State National Life, ChiroPlan Hawaii, and Hawaii Medical Service Association Blue Cross Blue Shield Presented to EUTF by Claim Technologies Incorporated (CTI) dated 2/27/18 with Executive Summaries dated 2/21/18. (49 pages)
3. List of Legislative Bills Related to the EUTF dated 2/27/18. (7 pages)
4. Memorandum to BOT from Assistant Administrator Regarding Report to Legislature for Conversion of Exempt Employees to Civil Service dated December 26, 2017. (4 pages)
5. Strategic Plan 1/1/18-6/30/21 dated January 4, 2018 (8 pages)
6. Memorandum to BOT from the Investment Committee Regarding the 2/13/18 Investment Committee meeting dated February 13, 2018. (3 pages)

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7. EUTF Year to Date Contract Plan Experience Report Contract Year to Date through December 2017 dated February 27, 2018. (37 pages)
8. Segal Consulting Article on "Update" dated 1/31/2018. (2 pages)
9. Segal Consulting "Trends", 1st Quarter 2018. (1 page)
10. Administrator's Monthly Report to the Board from 12/30/17-2/16/18 dated 2/16/18. (44 pages)
11. Memorandum to BOT from Member Services Branch Manager Regarding December 2017-February 2018 Member Services Operations Report dated 2/16/18. (11 pages)
12. Memorandum to BOT from Information Systems Chief Regarding December 2017-February 2018 Information Systems (IS) Operations Report dated 2/16/18. (11 pages)
13. Memorandum to Administrator from EUTF Benefits Audit Specialist Regarding December 2017-February 2018 EUTF Benefits Audit Specialist Report dated 2/16/18. (1 page)
14. Memorandum to Administrator from EUTF Program Specialist Regarding December 2017-February 2018 EUTF Program Specialist Report dated 2/16/18. (14 pages)
15. Memorandum to BOT from Financial Management Officer Regarding December 2017-February 2018 Financial Services Branch (FSB) Report dated 2/16/18. (5 pages)
16. EUTF Financial Statements as of November 30, 2017 and December 31, 2017 and Experience Accounting of Self Funded Plans for December 2017 dated 2/23/18. (15 pages)
17. CVS Caremark Monthly Carrier Report for December 2017 dated 1/10/18. (12 pages)
18. CVS Caremark Monthly Carrier Report for January 2018 dated 2/8/18. (8 pages)
19. SilverScript Monthly Carrier Report for December 2017 dated 1/9/18. (4 pages)
20. SilverScript Monthly Carrier Report for January 2018 dated 2/8/18. (4 pages)
21. HDS Monthly Carrier Report for December 2017 dated 1/10/18. (2 pages)
22. HDS Monthly Carrier Report for January 2018 dated 2/9/18. (3 pages)
23. HMSA Monthly Carrier Report for December 2017 dated 1/11/17. (4 pages)
24. HMSA Monthly Carrier Report for January 2018 dated 1/15/17. (2 pages)
25. Kaiser Monthly Carrier Report for December 2017 dated 1/10/18. (2 pages)
26. Kaiser Monthly Carrier Report for January 2018 dated 2/9/18. (2 pages)
27. Royal State Insurance Monthly Carrier Reports for December 2017 (Chiropractic and Supplemental Medical Plans) dated 1/9/18. (4 pages)
28. Royal State Insurance Monthly Carrier Reports for January 2018 (Chiropractic and Supplemental Medical Plans) dated 2/8/18. (4 pages)
29. UnitedHealthcare Monthly Carrier Report for December 2017 dated 1/2/18. (1 page)
30. US Able Life Monthly Carrier Report for December 2017 dated 1/10/18. (2 pages)
31. US Able Life Monthly Carrier Report for January 2018 dated 2/9/18. (2 pages)
32. VSP Monthly Carrier Report for December 2017 dated 1/10/18. (8 pages)
33. VSP Monthly Carrier Report for January 2018 dated 2/9/18. (8 pages)