

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Minutes of the Board of Trustees

Thursday, April 5, 2018

TRUSTEES PRESENT

Mr. Gordon Murakami, Chairperson

Ms. Celeste Nip, Vice Chairperson

Ms. Laurel Johnston, Secretary-Treasurer (arrived 9:05 am)

Mr. Roderick Becker

Ms. Linda Currivan Musto

Mr. Christian Fern (excused 11:38 a.m.)

Ms. Audrey Hidano

Dr. Virginia Pressler (excused at 12:10 p.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

Mr. Thomas Morrison, Benefits Consultant

Ms. Bonny Kahalewai

Mr. Raymond Kan

Ms. Emily Kaneakua

Ms. Jessica McDonald

OTHERS PRESENT

Ms. Marissa Adachi, HMSA

Ms. Nikki Bassett, USABLE

Ms. Evelyn Baysa, HMA

Ms. Sandra Benevides, CVS Health

Ms. Erin Berhman-Farmer, YMCA

Ms. Elaine Fujiwara, HDS

Mr. Ryan Hirasuna, HMSA

Ms. Monica Kim, VSP

Ms. Mae Kishimoto, HSTA-R

Mr. Brandon Kumabe, HMSA

Mr. Christopher Letoto, HMSA

Mr. Douglas Murata, Royal State

Mr. Troy Tomita, Kaiser

I. CALL TO ORDER

The meeting of the Board of Trustees was called to order at 9:00 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 Thursday, April 5, 2018.

II. MINUTES – February 27, 2018

The Board reviewed the draft minutes of February 27, 2018.

MOTION was made and seconded to approve the minutes of February 27, 2018 as circulated. (Uwaine/Currivan Musto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

III. EXECUTIVE SESSION

MOTION was made and seconded for the Board to move into Executive Session at 9:02 a.m. (Nip/Currivan Musto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

The regular meeting reconvened from Executive Session at 10:38 a.m.

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

1. Approved the Executive Session minutes of February 27, 2018.
2. Approved an appeal to waive Medicare Part B requirements and allow retroactive reinstatement of coverage.

IV. NEW BUSINESS

A. Diabetes Prevention Programs

1. YMCA Diabetes Prevention Program Presentation

Ms. Erin Berhman-Farmer, YMCA of Honolulu, presented the YMCA Diabetes Prevention Program (DPP) including background information on the YMCA movement, the need for diabetes prevention, the YMCA's DPP and early YMCA DPP partnerships. The YMCA of Honolulu is a provider of DPP that would contract with HMSA or Kaiser to provide the services to the EUTF members.

2. HMSA Benefit Plan Change

Mr. Ryan Hirasuna, HMSA Program Manager, presented the possible addition of the DPP benefit for the EUTF active employees effective July 1, 2018, including the eligibility criteria, exclusions and limitations, monitoring and reporting, enrollment goals and promotion and benefit awareness. Mr. Hirasuna reported that DPP 1) is covered 100% by Medicare from April 1, 2018 so it is unnecessary to add to the HMSA Medicare retiree plans, and 2) will be available for HMSA non-Medicare retirees January 1, 2019. HMSA will look into an earlier implementation date for the non-Medicare retirees.

MOTION was made and seconded to add the Diabetes Prevention Program to the EUTF HMSA active employee medical plans, excluding HSTA VB plans, effective July 1, 2018. (Johnston/Fern) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Trustee Christian Fern was excused from the meeting at 11:38 a.m.

3. Kaiser Benefit Plan Change

Mr. Derek Mizuno informed the Board that Kaiser was required by the Centers for Medicare and Medicaid Services to add the DPP benefit effective April 1, 2018 to the EUTF and HSTA VB Medicare Senior Advantage Plans. Kaiser is investigating adding the DPP benefit for active employees and non-Medicare retirees at the earliest January 1, 2019.

MOTION was made and seconded to add the Diabetes Prevention Program to the EUTF and HSTA VB Kaiser Senior Advantage Medicare retiree plans effective April 1, 2018 in accordance with federal law. (Johnston/Currivan Musto) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

V. INVESTMENT COMMITTEE REPORT

A. 2018 Strategic Allocation Review: Part 2 of 2

Mr. Mizuno summarized the Investment Committee report dated March 16, 2018 regarding the 2018 Strategic Allocation Review: Part 2 of 2 process noting the following main points:

- The alternative risk premia, private credit and opportunistic and value-add real estate (as a part of private equity) strategies were added to the review.
- In general, expected returns decreased and expected risk increased from the 2016 to 2018 reviews.
- After placing constraints (minimums and maximums) on each asset class, the EUTF investment consultant, Pension Consulting Alliance (PCA) and staff, presented five possible asset allocations to the Investment Committee ranging from a 6.7% expected return with 9.2% annual standard deviation to 6.9% expected return with 11.0% annual standard deviation (versus the current long term allocation of 6.8% expected return with 11.1% annual standard deviation).
- PCA and staff made further adjustments and presented two possible asset allocation options: 1) 6.7% expected return with 9.9% annual standard deviation and 2) 6.9% expected return and 10.4% annual standard deviation. Staff confirmed with the EUTF actuary, Gabriel, Roeder, Smith & Company, that adoption of either option would not jeopardize the use of the long term investment return assumption of 7.0%.
- PCA, staff and the Investment Committee recommend option #1 as the private equity allocation under option #2 would be difficult to achieve.
- PCA and staff also presented the Investment Committee with six asset allocation options that include domestic equity, non U.S. equity, long treasuries, alternative risk premia, and systematic trend following for the long term portion of the Excess Reserve Fund which is approximately \$100 million. PCA, staff and the Investment Committee recommend option #1 which is the most conservative asset allocation.
- Staff were unable to identify a more cost effective option for the short term portion of the Excess Funds, approximately \$110 million. PCA, staff and the Investment Committee recommend continuing with the current short term corporate bond fund.

MOTION was made and seconded to approve the Investment Committee's recommendation of portfolio option 1 for the long-term strategic allocation of the OPEB Trust and for the Excess Funds portfolio option 1 for the long-term portion, and the continuation of the short-term corporate bond fund for the short-term portion. (Uwaine/Nip) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

B. Microcap Update

Mr. Mizuno reported that the transition of microcap equity securities from Granite to Acuitas was completed on February 22, 2018 with no surprises as the results were in line with the proposal from the transition manager.

C. Investment Policy Statement Update

Mr. Mizuno reported that the Investment Committee reviewed and revised the PCA and staff changes to the Investment Policy Statement to address the Board's concerns from the February 27, 2018 meeting regarding rebalancing and the benchmarks.

MOTION was made and seconded to approve the Investment Committee's recommendation to revise the Rebalancing and Performance Objective sections of the Statement of Investment Policy and Guidelines. (Becker/Currivan Musto) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

VI. OLD BUSINESS

A. 2018 EUTF Related Legislation

Mr. Mizuno reported on the status of EUTF proposed bills, bills EUTF staff are recommending support and opposition (including staff, CVS and HMSA concerns regarding Senate drafts of SB3104) and other bills of interest.

MOTION was made and seconded to oppose SB3104 SD 2 version and support SB3104 HD2 version as recommended by staff. (Uwaine/Nip) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

VII. REPORTS

A. Segal

1. Legislative Update

Mr. Tom Morrison, Segal Company, reported that there were no new federal legislation impacting the EUTF.

B. Administrator

1. HMSA limited prescription drug benefits

2. Administration staffing update

Mr. Mizuno reported that the Secretary to the Assistant Administrator was filled and there is only one vacant position at the EUTF that will be used for an 89 day hire to assist with refunds to members.

3. Meetings with legislators and unions

4. Public engagement

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

1. Member Services Branch (MSB)

a. MSB Data

Mr. Mizuno highlighted the improvement in the customer service call center answer rate within 30 seconds for February 2018 of 72% versus 16% a year ago with approximately the same number of incoming calls. The improvement is likely due to more experienced and knowledgeable staff and recent changes in how calls are routed.

b. MSB Staffing Update

c. 2018 Active Employee Open Enrollment

d. 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

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- e. EUTF Health Benefits Hardware Server Replacement
Mr. Mizuno highlighted the successful transition to the Microsoft Azure Cloud Server from local hard drives of the Benefits Administration System software and database over the weekend of March 23-25, 2018.
 - f. V3 BAS Feasibility Study
 - g. IS Staffing Update
 - h. Enrollment Counts
3. EUTF Benefits Audit Specialist Report
- a. Surviving Spouse/Surviving Child
 - b. Spouses/Partners with Self and Two-Party Plans
 - c. Unreported Divorces – Retirees
 - d. Additional Audits to be Initiated by 6/30/18
 - e. Completed Audits
Mr. Mizuno highlighted the three audits completed and the annual savings estimated at \$310,000.

Trustee Virginia Pressler was excused from the meeting at 12:10 p.m.

- f. Recurring Audits
 - g. Claims Technologies, Inc. Claims Audit Report (HMSA)
Mr. Mizuno reported that HMSA provided the amounts for 2017 and 2016 of overpayments not auto recovered from providers of \$1,303 and \$1,980, respectively. HMSA is doing a cost benefit analysis whether to attempt collection of such amounts in the future.
4. EUTF Program Specialist Report
- a. Worksite wellness
 - b. Preventive health
Mr. Mizuno highlighted the approximately 15,000 mailers sent to EUTF members and paid by HDS to promote the use of preventative services.
 - 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
Mr. Mizuno highlighted FSB's efforts to sign-up retirees, who pay a portion of their premiums, for automated monthly premium deductions through ACH or ERS pensions. Through February 2018, approximately 1,100 retirees out of 1,500-2,000

have signed up. FSB will provide the option to retirees who haven't signed up twice a year.

e. Financial Statements as of January 31, 2018

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 commended HDS for their HDS Tooth Fairy Fun Day community event.
4. Hawaii Medical Service Association (HMSA)
Trustee Currivan Musto commended HMSA and CVS for free prescription drug delivery services in Honokaa. Mr. Mizuno also noted that HMSA's quarterly magazine, Island Scene, featured EUTF staff participation in the Blue Zones Project.
5. Kaiser Health Foundation
Trustee Currivan Musto commended Kaiser for national recognition for the third straight year for bariatric surgery.
6. Royal State Insurance
7. UnitedHealthcare
8. USABLE Life
9. Vision Service Plan (VSP)
Trustee Currivan Musto commended VSP for launching smart glasses that track activity and allow members to donate eye exams & eyewear to people in need.

VIII. NEXT MEETING DATE

- A. Tuesday, April 24, 2018 at 9:00 a.m. – HMSA Care Model Presentation
Trustee Currivan Musto is unable to attend this meeting.

IX. ADJOURNMENT

MOTION was made and seconded for the Board to adjourn the meeting at 12:15 p.m. (Uwaine/Currivan Musto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

Respectfully submitted,

/s/

Laurel Johnston, Secretary-Treasurer

APPROVED on April 24, 2018.

Documents Distributed:

1. Draft Board Minutes of 2/27/18. (7 pages)
2. YMCA Progress Unlimited Support, Diabetes Prevention Program dated 4/5/18. (29 pages)
3. Memorandum to BOT from the Investment Committee Regarding the 3/16/18 Investment Committee meeting dated 3/16/18. (4 pages)
4. List of Legislative Bills Related to the EUTF presented 4/5/18. (12 pages)
5. Administrator's Monthly Report to the Board from 2/17/18-3/23/18 dated 3/23/18. (1 page)
6. Memorandum to BOT from Member Services Branch Manager Regarding February – March 23, 2018 Member Services Operations Report dated 3/23/18. (15 pages)
7. Memorandum to BOT from Information Systems Chief Regarding February -March 2018 Information Systems (IS) Operations Report dated 3/23/18. (11 pages)
8. Memorandum to Administrator from EUTF Benefits Audit Specialist Regarding February - March 2018 EUTF Benefits Audit Specialist Report dated 3/23/18. (2 pages)
9. Memorandum to Administrator from EUTF Program Specialist Regarding February – March 2018 EUTF Program Specialist Report dated 3/23/18. (6 pages)
10. Memorandum to BOT from Financial Management Officer Regarding February - March 2018 Financial Services Branch (FSB) Report dated 3/23/18. (6 pages)
11. EUTF Financial Statements as of January 31, 2018 dated 3/23/18 and Experience Accounting of Self Funded Plans for January 2018 dated 3/27/18. (9 pages)
12. CVS Caremark Monthly Carrier Report for February 2018 dated 3/9/18. (14 pages)
13. SilverScript Monthly Carrier Report for February 2018 dated 3/9/18. (4 pages)
14. HDS Monthly Carrier Report for February 2018 dated 3/9/18. (2 pages)
15. HMSA Monthly Carrier Report for February 2018 dated 3/15/18. (4 pages)
16. Kaiser Monthly Carrier Report for February 2018 dated 3/9/18. (2 pages)
17. Royal State Insurance Monthly Carrier Reports for February 2018 (Chiropractic and Supplemental Medical Plans) dated 3/9/18. (4 pages)
18. USABLE Life Monthly Carrier Report for February 2018 dated 3/8/18. (2 pages)
19. VSP Monthly Carrier Report for February 2018 dated 3/7/18. (9 pages)