

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Administrative Committee Meeting
February 17, 2004

TRUSTEES PRESENT

Mr. Mark Recktenwald, Chairperson	Ms. Katherine Thomason
Mr. Gerald Machida	Ms. Kathleen Watanabe (Arrived 1:06 pm)
Mr. Dayton Nakanelua	

TRUSTEES ABSENT

Mr. Will Miyake

GUEST TRUSTEE

Mr. John Radcliffe (Arrived 1:45 pm)

ATTORNEY: Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. Mark Fukuhara, Administrator	Mr. John Garner, Consultant
Mr. Bert Nishihara	Mr. Andy Keowen, Consultant
Mr. Lawrence Nishihara	Ms. Kathleen Shiroma
Ms. Maria Quartero	

OTHERS PRESENT

Mr. Tracy Ban, B&F	Ms. Ruth Kim, HSRTA
Ms. Sandra Benevides, Kaiser Permanente	Mr. Maurice Morita, HSTA
Ms. Alana Deppe-Mariota, Kaiser Permanente	Mr. Michael Moss, HMSA
Ms. Monica Engle, VSP	Mr. Glenn Nakamoto, DOE
Ms. Elaine Fujiwara, HDS	Ms. Gertrude Nitta, HGEA-R
Ms. Venus Gabuyo, MBAH	Mr. Peter Rodriguez, Hartford
Mr. Rick Jackson, MDX Hawaii	Mr. George Yamamoto, HGEA-Retirees

I. CALL TO ORDER

The meeting of the Administrative Committee was called to order at 1:05 p.m. by Chairperson Mark Recktenwald in Conference Room 405, Leiopapa A Kamehameha Building, 235 South Beretania Street, Honolulu, Hawaii, on Tuesday, February 17, 2004.

II. APPROVAL OF MINUTES: None

III. REPORTS

- A. Administrator: None
- B. Deputy Attorney General: None
- C. Benefits Consultant
Mr. Garner reported:

GASB Accounting Rule

Follow-up from discussion at last month's meeting to provide information in regards to the GASB exposure draft regarding retirees' health benefits. Mr. Garner stated that 9 other states are paying the full costs of retiree medical benefits with no

contributions from the retirees; 27 states pay some part of the costs for retiree medical benefits; and 14 states pay nothing but allow retirees to pay the full amount at group rates.

IV. UNFINISHED BUSINESS

A. Administrative Rules – proposed changes for contribution shortages

The EUTF staff is recommending that proposed Rule 4.14- Reinstatement of Enrollment be added to the Administrative Rules. The proposed rule addresses the situation of reinstatement when there has been a cancellation due to shortage of premiums. Under the proposed rule, if payment of the shortage is made in full within 30 days of the original due date, then the employee-beneficiary is reinstated so that he/she will have continuous coverage, i.e., no gap in coverage. If payment is not made within 60 days after the original due date, then the employee-beneficiary needs to wait until the next open enrollment period. Mr. Fukuhara said that there is no need for the proposed rule to draw a distinction between someone going out on leave without pay and someone employed and cancelled due to a premium shortage.

Mr. Fukuhara stated that after the Board approves, the proposed change will be sent to public employers/employee organizations for consultation. Mr. Aburano explained the EUTF rulemaking process, noting that the EUTF is exempt from the regular rulemaking process under Chapter 91, HRS. The EUTF's statute and rules require EUTF proposed rule changes to be provided to the public employers and affected employee organizations for consultation and for such changes to be adopted at a public meeting. After that, the proposed rule change is subject to review by the Governor and is filed with the Lieutenant Governor's office. Discussion held by Trustees and staff regarding the rulemaking process.

By consensus of the Trustees, recommendation was made by the Administrative Committee for the Board to approve proposed Rule 4.14 – Reinstatement of Enrollment for addition to the EUTF Administrative Rules.

B. Update on Printing and Open Enrollment Multi-Media Purchase

Mr. Fukuhara reported that an IFB was issued for printing. One bid was received from Pioneer Venture (Fisher Printing) who was awarded last year's contract. Mr. Fukuhara stated that the Board approved printing costs not to exceed \$120,000, but that the bid came in for \$129,000 (with postage of \$40,000 included). He is recommending that the Board approve the increase in printing costs. Discussion held by Trustees and staff regarding the increase for printing costs, how the postage is paid, why other vendors did not submit a bid, whether there had been negotiations to lower the proposed printing costs, and the possibility of reissuing the IFB. Mr. Fukuhara stated that the vendor could not lower the costs, and the timeframe to reissue an IFB would be too late for printing and distributing the materials prior to open enrollment.

By consensus of the Trustees, recommendation was made by the Administrative Committee for the Board to authorize the EUTF to enter into a contract with Pioneer Venture for an amount not to exceed \$129,000.

Mr. Lawrence Nishihara reported that five vendors responded to the multi-media small purchase request that is due today. The contract will be awarded after review of the vendors' responses, with the price not to exceed \$25,000.

C. Staffing Plan

Mr. Fukuhara stated that the information on future staffing was removed and will be added for discussion at this committee at a later date for the next biennium.

Overview by Mr. Lawrence Nishihara regarding the staffing plan (see handout).

Discussion held by Trustees and staff regarding clerk positions and reduced salaries.

D. RFP for PeopleSoft Consulting Services

Ms. Shiroma has been unsuccessful in contacting PeopleSoft's new representative, John Mayhew, regarding additional information requested by the Trustees on the scope of work for PeopleSoft enhancements if upgraded to PeopleSoft 8: (1) if any items in the scope of work could be included in the upgrade; and (2) if we did these customizations would we have to redo them if moved up to PeopleSoft 8. She will follow-up and get the information and report back to the Trustees.

Overview by Ms. Shiroma regarding a small purchase request for a vendor to assist in running the daily maintenance events routines and semi-monthly payroll closing which includes documenting the process, training the management and staff as well as assisting staff as needed that was approved by the Trustees. Three quotes were sent and two quotes were received back from vendors. The small purchase was awarded to the lowest bidder with a flexible schedule, Business Solution Technology, Inc., for an amount not to exceed \$25,000. Discussion held by Trustees and staff regarding the costs and their prior work experience with the State.

V. NEW BUSINESS

A. Financial Report as of 1/31/04

Overview by Bert Nishihara regarding the statement of net assets and combined statement of revenue & expenses (see handouts). Discussion held by Trustees and staff regarding adjustments to personal services.

B. Board Policy on Testimony at Legislature

Overview by Mr. Fukuhara regarding past Board policy on the Administrator and Trustees providing testimony to the Legislature. Mr. Aburano stated that there was no formal Board vote on the policy. Rather, then-Chair Callejo announced the policy which was not objected to by any of the then-Trustees. The policy resulted from disputes that arose when one of the Trustees appeared before the Legislature and there was a concern that that the Trustee's views might be seen as representing the Board. The announced policy was: (a) any formal presentation to the

Legislature by the EUTF had to be authorized by the Board; and (b) if any Trustee was requested to appear before the Legislature to testify on EUTF matters, the Trustee should notify the other Trustees and request the Legislature to permit any other interested Trustee to appear and testify. Discussion by Trustees and staff regarding formal/oral policies and the desirability of establishing clear written policies. Trustee Watanabe stated that she testified as an individual Board member on HB 2876 because it was critical that someone speak to the committee to ask them not to take any action until the EUTF had an opportunity to give its position. Discussion by Trustees and staff regarding the prior/current procedure for the tracking of bills.

By consensus of the Trustees, recommendation was made by the Administrative Committee for the Board to approve the following policies regarding testimonies to apply to all Board members:

(1) Administrator does not testify unless the Board approves. However, if requested by the Legislature to provide information, the Administrator may do so without Board approval as long as it is factual information. The Administrator is not to take a position on behalf of the Board.

(2) Trustees do not testify on behalf of the Board without Board approval. A Trustee may testify as an individual trustee provided the Trustee makes it clear to the legislative committee(s) that he/she is testifying as an individual trustee and not on behalf of the Board; and as a courtesy, the Trustee will let the Board know when he/she is going to testify as an individual trustee.

Further discussion by Trustees regarding the tracking of bills. Discussion held by Trustees and Deputy Attorney General regarding the issue of polling Trustees through email or phone. Mr. Aburano will report back to the Board tomorrow regarding the Sunshine Law issue. Trustee Watanabe left at 2:02 p.m. and returned at 2:04 p.m.

C. Legislative Bills

Review of the legislative bills by the Administrative Committee (see handout). Chair Recktenwald stated that carried over bills on the list that did not move last session will probably not be an issue this session. Mr. Fukuhara stated that the carried over bills are not scheduled for hearing as of last Thursday.

HB 2171-Revision Bill

By consensus of the Trustees, recommendation was made by the Administrative Committee for the Board to be in support of HB 2171 and for the Administrator to provide testimony to the extent that it is a housekeeping bill.

HB 2356-Repeal Statutory Exemptions for Chapter 103D, HRS

Overview by Trustee Thomason regarding HB 2356. Discussion held by Trustees regarding Chapter 103D. Mr. Aburano stated that the legislation seeks to do away with all exemptions to Chapter 103D. He added that the EUTF is exempt from Chapter 103D with respect to procuring insurance carriers, TPA's, and certain types of professional help. If the bill passes, in its current form, the EUTF will

have to follow all of the Chapter 103D procedures in order to procure insurance carriers, TPA's, benefit consultants other professional help. Further discussion by the Trustees regarding HB 2356. There being no consensus by the Trustees, no action was taken.

HB 2707-Prescription Drugs; Cost Containment

Overview by Mr. Fukuhara on HB 2707. Discussion held by Trustees and staff regarding HB 2707. By consensus by the Trustees, no position is taken on HB 2707.

HB 2876-State Health Authority

Discussion held by Trustees and Deputy Attorney General regarding HB 2876. Mr. Aburano stated that in the House committee report an amendment was made to take out the provision calling for the repeal of the EUTF or asking the commission to study the matter. Further discussion held by Trustees regarding the Senate version and the amended version of the House committee. By consensus of the Trustees, the Administrative Committee recommends opposing the repeal of the EUTF and not taking a position on establishing a commission to study it.

HB 2884-Voluntary Employees' Beneficiaries Association (VEBA)

Discussion held by Trustees and staff regarding HB 2884. Trustee Watanabe stated that for the same reasons why she testified as an individual trustee on HB 2876, she does not believe that the EUTF should be supporting HB 2884 as it would erode what the EUTF is doing. Further discussion held by Trustees and staff regarding the possibility of more than one employee organization pulling out of the EUTF. There being no consensus by the Trustees, no action was taken.

Chair Recktenwald stated that the Senate bills are mostly companion bills except for SB 2651.

SB 2651-Department of Aging and Long-Term Care

No comments or recommendations made by the Trustees.

D. Quarterly Carrier Reports on Performance Standards

Overview by Mr. Garner regarding the quarterly carrier reports on performance standards (see handout). Aetna has not submitted a report but they were notified and apologized for being late.

E. Impact of Being Administratively Attached to Budget & Finance

The Trustees were provided with a confidential attorney-client privileged communication dated regarding Section 26-35, Hawaii Revised Statutes. Mr. Aburano reported that the basis for some of the actions of the Department of Budget and Finance are Section 87A-30, which states that the EUTF shall for administrative purposes be attached to the Department of Budget and Finance, and Section 26-35, HRS, which sets out the responsibilities, duties, and requirements of administratively attached agencies. He stated that Section 26-35, HRS, or similar

statutes, setting forth what are the responsibilities of administratively attached agencies, has been part of the State's statutes since 1959. It probably stems from the requirement in the Hawaii Constitution that there be at most 20 principal departments in the government; and part of the purpose is to control the budgets of executive agencies so the Governor can fulfill her responsibilities in enforcing laws and submitting a unified budget for the executive branch. Mr. Aburano stated that agencies have asked the Legislature to exempt them from some of the requirements of Section 26-35. For example, while the Hawaii Technology Development Corporation is administratively attached to DBEDT, its statutes provide that only one particular provision of Section 26-35 will apply to it. Thus, if you can convince the Legislature, it appears that you can be exempted from some of the provisions of Section 26-35. He stated that it would be difficult for the EUTF to be exempted completely from Section 26-35.

VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

There was no communication from the public.

Draft Financial Audit of the PEHF, FY Ended 6/30/03 and 2002

Mr. Fukuhara asked the Trustees to review the draft audit and if they have any comments and/or questions to let the EUTF know by Tuesday, February 22, 2004, so any comments and/or questions may be forwarded to the auditor.

VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

The next regular Committee meeting will be scheduled at a later date as needed.

VIII. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 2:55 p.m.

Respectfully submitted,

/s/

Mark Recktenwald, Chairperson

APPROVED on July 20, 2004.

DOCUMENTS DISTRIBUTED:

1. 4.14 Reinstatement of Enrollment Re: Contribution Shortages dated 2/17/04. (1 page)
2. Explanation of Changes to 7/1/03 Approved Staffing dated 2/14/04. (3 pages)
3. EUTF Statement of Net Assets 1/31/04 (Unaudited) & Combined Statement of Revenues and Expenses-Budget & Actual Comparison 7 Months Ended 1/31/04 (Unaudited) dated 2/17/04. (3 pages)
4. 2004 Legislative Session – Bills Relating to the EUTF dated 2/12/04. (3 pages)
5. Report on Performance Standards by Garner Consulting dated 2/18/04. (1 page)