

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Administrative Committee Meeting
August 24, 2004

TRUSTEES PRESENT

Mr. Mark Recktenwald, Chairperson
Mr. Gerald Machida

Mr. Stanley Shiraki
Ms. Kathleen Watanabe

TRUSTEES ABSENT

Mr. Will Miyake
Mr. Dayton Nakanelua

GUEST TRUSTEE

Ms. Katherine Thomason

ATTORNEY: Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. Lawrence Nishihara, Acting Administrator
Ms. Kathleen Shiroma

Mr. John Garner, Consultant
Ms. Donna Tonaki

OTHERS PRESENT

Mr. Tracy Ban, B&F
Ms. Sandra Benevides, Kaiser Permanente
Ms. Monica Engle, VSP
Ms. Venus Gabuyo, MBAH
Ms. Jeri Kakuno, MDX Hawaii
Ms. Alice Kotake, HSTA-R
Ms. Tawnya Lloyd, Aetna
Mr. Norbert Mendes, HDS

Mr. Maurice Morita, HSTA
Mr. Michael Moss, HMSA
Ms. Gertrude Nitta, HGEEA-R
Ms. Susan Pestana, HSTA-MBC
Mr. Rod Tam, HMSA
Mr. Myles Taniguchi, TRIA
Mr. George Yamamoto, HGEEA-Retirees

I. CALL TO ORDER

The meeting of the Administrative Committee was called to order at 1:10 p.m. by Chairperson Mark Recktenwald in Conference Room 405, Leiopapa A Kamehameha Building, 235 South Beretania Street, Honolulu, Hawaii, on Tuesday, August 24, 2004.

II. APPROVAL OF MINUTES: None

III. REPORTS

A. Administrator

1. Recruitment of Administrator

Interviews will be held the end of this week.

2. IFEBP Conference – Questions by Trustees

Mr. Nishihara will get back to Trustees regarding questions about Trustees who are attending the conference and the coordination of classes for the IFEBP Conference.

B. Deputy Attorney General: None

C. Benefits Consultant

1. Chicken & Egg Problem

An overview was given on the survey that was done by Garner Consulting regarding the chicken/egg problem on whether the benefits or contributions were determined first. The states responding handled this problem differently, only California had a problem similar to Hawaii's. Discussion was held by Trustees, consultant, and deputy attorney general regarding Indiana that had an executive order issued to have a joint labor management committee that made recommendations to the respective bargaining teams. Mr. Aburano will look into legality of Hawaii having a joint labor management committee. Mr. Garner will submit a written report regarding his findings on the survey.

2. HIPAA Security Gap Analysis

Meeting with EUTF, Kathleen Shiroma, in two weeks regarding draft of HIPAA Security Rule gap analysis and making recommendations for changes. In general, there are not too many changes.

IV. UNFINISHED BUSINESS

A. Health Fund Refund Project Methodology & Expenses

Mr. Bert Nishihara gave an overview on the summary of reserves (see handout) that does not include the administrative costs to do the refunding and the methodology that the Health Fund used. Mr. Lawrence Nishihara confirmed that the recommended ratios are: HDS - one point for self and two points for family; and HMSA - one point for self and three points for family. Mr. Lawrence Nishihara reported that the Health Fund previously paid \$146,000 for administrative costs and that the administrative cost for the current refund will be approximately \$250,000 due to the fact that the Health Fund did not capture the costs that they internally incurred. Mr. Lawrence Nishihara also recommended that four temporary staff be hired immediately. Discussion held by Trustees and staff regarding the holding of reserves. Mr. Aburano stated that there should be a small amount of reserves and that 3% was too much. He stated that the interest earned prior to distribution might be sufficient for reserves. Further discussion by Trustees and staff regarding the processing of checks by DAGS, hiring of temporary staff due to additional workload, and procedures when checks were not cashed. Discussion held by Trustees and staff regarding the timing of the refund and the O'Gorek lawsuit. Target date for checks to be sent out will be at the end of October. A plan and budget will be submitted at the next Administrative Committee meeting to be held on September 14, 2004. By consensus of the Trustees, the EUTF staff will submit the plan by next week and will process documentation for temporary employment as far as possible without hiring.

B. Consultation on Administrative Rule Change Regarding Adoptions & Foster Children

A number of comments were received (see handouts) and only DHRD had a proposed change. By consensus of the Trustees, the Administrative Committee

recommended that the Board approve the proposed rule with the change suggested by DHRD to make it clear that the employee must file a properly completed enrollment application within thirty days of the specified event date; otherwise, they must wait until the next open enrollment period.

C. Staffing Requirements for Next Biennium

Mr. Lawrence Nishihara gave an overview on the cost for staffing requirements (see handout). He stated that the IT positions are on hold pending the outcome of the PeopleSoft upgrade. Discussion held by Trustees and staff regarding the comparison of the EUTF and PEHF staff and the current workload and additional duties that the EUTF does that departments did in the past. Further discussion held by Trustees and staff regarding the projected additional cost. Correction was made that the percentage should be 40% for additional salary due to removal of IT staff salary. By consensus of the Trustees, the Administrative Committee recommends that the Board approve the 8 positions in the budget and provide information on the specific salaries, the basis for the salaries, and what the charges would be to each plan participant.

V. NEW BUSINESS

A. Final Accounting for Health Fund Contracts Ending 6/30/03

Mr. Garner gave an update on the final accounting for HMSA and HDS and is comfortable with refunds that they already provided which are over three million for HMSA and under two million for HDS. He stated that Royal State is making one modification regarding their calculation for life insurance and that the final number should be \$500,000. VSP's final accounting was received several months ago and that they were in a deficit position.

B. Carriers' Performance Standard Quarterly Report

Mr. Garner reported that all the carriers reported meeting all the performance standards with the exception of HMSA that was unable to issue 100% of ID cards within 15 days, but was close at 99.89%. This is a standard without any guarantee and without any penalty involved. He added that the general trend is that the list has been getting shorter and it shows that what gets measured gets done.

C. RFP for Services to Upgrade the PeopleSoft System

Deferred until the next Administrative Committee meeting scheduled for September 14, 2004. The consultant retained will be doing a presentation. Discussion held by Trustees and staff regarding the budget for PeopleSoft. Mr. Lawrence Nishihara stated that monies were set aside for this fiscal year.

D. Legislative Proposals

Chair Recktenwald stated that the EUTF staff did not receive any proposals from any Trustees. A list of potential legislative issues for 2005 was prepared by Mark Fukuhara (see handout). Discussion held by Trustees and consultant regarding the age eligibility and list of potential legislative issues for 2005. By

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consensus of the Trustees, this matter is deferred until next month, trustees to submit legislative proposals ten days prior to the next meeting scheduled for September 14, 2004 which would be September 4, 2004, and for Chair Recktenwald to report at the Board meeting on the issue of hanai children if Trustee Lewis is in attendance.

E. Carrier Claims Audit(s)

Mr. Garner stated that Mark Fukuhara put this on the agenda to be addressed if the Board wants to have an audit conducted in FY06/07. The cost of any audits will need to be included in the next budget. Discussion conducted among the Trustees and consultant regarding the responsibility to conduct audits, the cost of audits, and the frequency of audits. Mr. Garner explained that an audit's purpose is to see if the carriers are processing claims correctly and timely. Audits could be done for HMSA, HDS, and VSP. Garner recently audited Aetna and had no significant findings. Mr. Garner stated that approximate costs for an audit would be \$100,000 or less for the medical and drug plans only. If the Trustees wanted to audit the dental and vision plans, the approximate costs for dental would be \$20,000 and \$10,000 to \$15,000 for vision. The audits are not within the scope of Garner Consulting's contract but is within their scope of expertise. Mr. Garner stated that there is no industry standard as to how frequently to do audits. Further discussion held by Trustees and consultant regarding the possibility of reducing the scope of the audits to reduce costs. Garner Consulting will submit a proposal for carrier claims audit for HMSA, HDS, and VSP at the next Administrative Committee meeting.

F. FY06-07 Draft Biennium Budget

Deferred to the next Administrative Committee meeting that is scheduled for September 14, 2004.

VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

There was no communication from the public.

VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

The next regular Committee meeting is scheduled for Tuesday, September 14, 2004.

VIII. ADJOURNMENT

By consensus of the Trustees, the Administrative Committee meeting was adjourned.

Meeting adjourned at 3:00 p.m.

Respectfully submitted,

/s/

Mark Recktenwald, Chairperson

APPROVED as amended on October 19, 2004.

DOCUMENTS DISTRIBUTED:

1. Letter from UOH Re: Administrative Rule Change on Adoption dated 7/15/04. (1 page)
2. E-mail from George Butterfield Re: Administrative Rule Change on Adoption dated 7/16/04. (1 page)
3. Letter from OHA Re: Administrative Rule Change on Adoption dated 7/19/04. (1 page)
4. Letter from HSTA Re: Administrative Rule Change on Adoption dated 7/23/04. (1 page)
5. Letter from DHRD Re: Administrative Rule Change on Adoption dated 8/2/04. (1 page)
6. Letter from OHA Re: Administrative Rule Change on Adoption dated 7/15/04. (1 page)
7. Letter from DOE Re: Administrative Rule Change on Adoption dated 8/9/04. (1 page)
8. Letter from C&C Re: Administrative Rule Change on Adoption dated 8/16/04. (1 page)
9. Summary of the Performance Standard Reports Re: HMSA Submitted by Garner Consulting dated 8/24/04. (1 page)
10. Approved Minutes for 10/1/03. (3 pages)
11. Approved Minutes for 11/18/03. (3 pages)
12. Approved Minutes for 2/17/04. (6 pages)