

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Administrative Committee Meeting
September 13, 2002

TRUSTEES PRESENT

Ms. Kathryn S. Matayoshi, Chairperson
Mr. Gerald Machida
Ms. Audrey Hidano

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

HEUHBTF STAFF

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| Mr. Mark Fukuhara, Administrator | Mr. John Garner, Consultant |
| Mr. Tracy Ban | Ms. Gerti Reagan, Consultant |
| Ms. Maria Quartero | |

OTHERS PRESENT

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| Ms. Jean Aoki, HSRTA | Ms. Kären Muronaka, HSTA |
| Ms. Sarah Moriyama, HDS | Mr. Lawrence Nishihara, HDS |

I. CALL TO ORDER

The meeting of the Administrative Committee was called to order at 9 a.m. by Chairperson Kathryn Matayoshi in the Department of Business, Economic Development and Tourism Conference Room 436, No. 1 Capitol District Building, 250 South Hotel Street, Honolulu, Hawaii, on Friday, September 13, 2002.

II. APPROVAL OF MINUTES

The minutes of July 17, 2002, August 8, 2002, and August 22, 2002 were not ready for review.

III. REPORTS:

A. Administrator

- Mr. Fukuhara introduced Larry Nishihara, Assistant Administrator. He said that Mr. Nishihara and Donna Tonaki, Financial Management Officer, would be starting on September 16, 2002. He said that we are waiting for final approval from the Director of Finance for the Communications and Regulatory Specialist position and, if approved, the person selected for that position would start on October 1, 2002. Interviews for the Systems Analyst position will start next week.
- Mr. Fukuhara reported that the Public Employees Health Fund (PEHF) Board met yesterday and decided to edit the RFP to delete any requirements applicable to the Hawaii Employer-Union Health Benefits Trust Fund's open enrollment. Trustee Matayoshi inquired if the Trust Fund Board needs to take some action based on the PEHF Board's deletion of requirements from their RFP. Mr. Fukuhara stated that the impact of the PEHF Board's decision would need to be weighed.

Chair Matayoshi is pleased that new hires will be starting to support the operations. She asked if there would be a transition period. Mr. Fukuhara reported that the staff leaving will be available and willing to help, but he will try not to impact on their time.

- B. Attorney General – No Report
- C. Benefits Consultant
Mr. Garner reported that the only item he has is under IV.C.

IV. UNFINISHED BUSINESS

- A. TPA Presentations are scheduled for September 16, 17, and 18, 2002 and members of the public are invited. Trustee Miyake will be attending the presentations.
- B. FB 04-05 Budget Development

Mr. Fukuhara reported on the budget in detail and discussion by Trustees (see handout).

PUBLIC COMMENT

G. Murakami questioned whether open enrollment expenses should be in FY 02. Mr. Fukuhara explained that what is shown on spreadsheet is for FY 03 budget, FY 03 actual expenditures were presented in a prior meeting. More money is requested for the coming open enrollment because Trust Fund will need to pay for certain expenses that were previously paid for by the carriers. Staff stated that some money would be moved to cover cost for open enrollment. Mr. Fukuhara mentioned that the additional cost for this fiscal year, which is estimated at \$125,000, would be paid from other line items.

Further discussion was held regarding Trust Fund office space. Chairperson Matayoshi wanted to make sure that if space is not needed for current PEHF staff that the Trust Fund is not locked in to leasing that space.

Discussion held on indirect costs. Trustee Matayoshi stated that it should not be in budget but should be used only for a TPA analysis (comparing costs of in-house administration versus costs of getting a TPA). Trustee Hidano stated we should leave those costs in the budget and put in an explanation that it is not applicable at this time.

Motion to recommend FY 04 –FY 05 Budget to the Full Board for approval.
(Matayoshi/Hidano)

Discussion held.

Vote: Unanimously approved.

- C. Administrative Fee Allocations (see handout)

Mr. Garner discussed several possible alternatives for allocating the Trust Fund's administrative costs (see attached handout). He said that there is some logic to each alternative; each has some merit. To some extent, administrative efforts are related to the amount of premiums charged by a plan, but some administrative expenses may be more related to enrollment. There are winners and losers under each alternative. If you take the alternatives of allocating based on total enrollment or by plan and total enrollment, dental and vision plans will bear an increased percentage of the administrative costs while medical plans will have a decreased share of the costs. If you take the alternatives of allocating based on premiums and employment status, retirees will bear a higher percentage of the costs. This could be a problem in keeping the retirees' costs under the cap; it may mean less benefits for retirees. Another alternative could be allocating costs by self versus family enrollments; which would have family enrollments paying more of the costs. It just depends on how the Trustees want to allocate the administrative costs. Mr. Garner said that the base used to calculate the administrative costs in the handout was based on the Trust Fund budget that was reviewed at the last Administrative Committee meeting. While that budget may be revised, Mr. Garner said that the Trustees should decide what approach they want to take, and the revised budget can be plugged into the allocation.

PUBLIC COMMENTS

J. Aoki inquired why it costs more to administer for retirees. Mr. Garner stated that he took the cost for retirees based on premiums then divided by the number of people on the plan; under this approach, the per retiree cost is higher than the per employee cost.

J. Aoki inquired shouldn't the allocation be based on the true cost of administering [active employee versus retiree plans]. Mr. Garner said that ideally yes, but without a detailed cost accounting study it is not known how much time is spent on retirees versus actives. There is an argument that because retirees have more in claims per person, they are more likely to have more questions per person and, therefore, there is more time spent on service for retirees.

J. Aoki stated that from her experience, she has never called the PEHF for questions.

Chair Matayoshi stated that from the active employees' standpoint there appeared to be a feeling that the DPOS/Unions handled a lot of the enrollment and questions for the active employees. Also, the administrative expenses of mailing things out were focused on retirees (those no longer in state service), since active employees could receive such by delivery to their work place or mail runs.

Mr. Aburano asked if it is reasonably probable or almost certain that retirees cost more. If that matter is really unknown, there is nothing to base an argument on that

retirees should be charged more. As such, maybe the allocation should be flat across the board until the Trustees have a reasonable basis to believe that retirees do cost more; then there would be a reasonable argument for a higher allocation of costs. Mr. Garner stated that the mainland costs are different, but in terms of the administrative costs and how much time is spent that is just a guess. He noted that if the Trustees want to take an approach that is consistent with their decision on life insurance allocation, it would be by premium by line of coverage and by total enrollment.

PUBLIC COMMENT

G. Murakami commented that with life insurance claim the cost of administration is based on the frequency of death for retirees versus actives. In the case of retirees there is typically not a single check but is at times five checks.

Chair Matayoshi asked about health, vision, and dental.

G. Murakami stated that there is a high cost when a person retires.

Chair Matayoshi stated that it's neither retirees nor actives.

G. Sanehira stated that Medicare takes a lot of processing.

Trustee Machida stated that retirees, especially those on the Neighbor Islands, spend more time going to the unions instead of going to PEHF offices because of the physical separation and because the unions will spend more time explaining things to them.

G. Murakami agreed with Trustee Machida and mentioned they have representatives on the Neighbor Islands and one representative basically for the ERS. When pre-retirement counseling is needed, in many cases their staff is invited to explain how union programs as well as State programs integrate with one another. In many cases, their staff handles a lot of counseling and retiree counseling because they are their members and clients. Transmit data are done for these clients and there are definite hidden costs not identifiable overall.

Chair Matayoshi stated until they have some data that tells us that there are some additional costs for either retirees or actives that the fair way to do it, because it is not known, is the second alternative by premium by line of coverage and by total enrollment.

Motion to recommend premium by line of coverage and by total enrollment to the Full Board for approval. (Matayoshi/Machida)

Discussion held.

Vote: Unanimously approved.

PUBLIC COMMENT

G. Murakami does not have a problem with that, but would like to know if there is a way to find out how it was based on what budget.

Chair Matayoshi stated that it was based on the last budget, and that Garner was asked to update from the budget that was recommended for approval and get real numbers out and have the variations for the Board meeting.

PUBLIC COMMENT

G. Murakami asked if he heard correctly in the earlier portion of the budget discussion that ICSD/DAGS have not been charging but will eventually be charging; if so, how would those amounts be factored in. Mr. Garner stated that it is not in there now.

Chair Matayoshi stated that if it wasn't in the budget, it wouldn't be factored in because the allocation is going to be based on the actual budget.

PUBLIC COMMENT

G. Murakami commented that the total actual costs of the Trust Fund should be used. This is to avoid having to go back and raise administrative allocations if the Trust Fund starts to get charged for something that it is not presently being charged for. Mr. Fukuhara stated that everything was identified that they know will be charged. Other items, at least for FY 04, are not going to be charged. DAGS/ICSD may charge for FY 05. Chair Matayoshi stated that the difficult part is we won't know about this matter for some time.

Mr. Aburano stated that if you are not totally sure, you could factor into your administrative costs some kind of contingency (for items such as ICSD costs). If you put the contingency in now and it turns out that you are not charged for ICSD costs, you just collected more money than you needed and you could use that extra money to pay for administrative costs in the future.

Mr. Garner stated that ICSD would not charge in FY 04, so it is not needed now. The Trust Fund can apply the same approach a year from now to calculate FY 05 administrative fees, but the problem would be that collective bargaining would of already taken place. The people who are engaging in collective bargaining need to know that the Trust Fund's administrative costs is an unknown number going into the future.

Chair Matayoshi asked the Deputy Attorney General if under the statute Trustees are allowed to assess the administrative cost and if the administrative cost is defined. Mr. Aburano stated not that he is aware.

Chair Matayoshi asked, without looking at the overall financial plan, whether Trustees would build in a reserve and whether there is something coming over from the PEHF that would activate that reserve.

Mr. Fukuhara stated that we don't know for sure, but it looks like there will be money coming over from PEHF.

Chair Matayoshi stated that she is posing that for a future finance committee that should look overall at the Trust Fund's cash and expenses and look at some of the issues that Gordon Murakami has talked about today.

PUBLIC COMMENT

G. Murakami commented that in his opinion, it's a form of taxation; you have the right to raise based on what the numbers are. If you look at Act 88, the concern is going to be when it's applied across the board to premiums then it will come up against the retirees' caps.

Chair Matayoshi suggested that at least for now we should accept the numbers based on our current actual budget. However, the fact that we put in the "indirect cost" line item that Trustee Hidano suggested will keep it in our minds that there are other costs, and at some future meeting of the Board it needs to be discussed whether the Board wants the Administrative Committee to take on the idea of a financial plan. She also asked the staff to prepare a 5-year projection and financial plan for the next meeting.

V. NEW BUSINESS

There being no objection, the Committee voted to add review of program structure and measures of effectiveness to the agenda.

After discussion, the Committee voted unanimously to the following revisions:

1. Increase of Administrative expenditures per enrollee of the Trust Fund.
4. Delete
5. Delete
6. Delete
7. Delete

Motion to recommend proposed program structure and performance measures with revisions to the Full Board for approval. (Machida/Hidano)

Discussion: None

Vote: Unanimously approved.

VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

There was no communication from the public.

VII. NEXT MEETING

The following meetings are scheduled to hear presentations from vendors who responded to the RFI for September 16-18, 2002, 8 a.m. to 1 p.m. The next regular Committee meeting to discuss legislation and other matters is October 9, 2002, No. 1 Capitol District Building, Executive Office on Aging, Conference Room 410.

VIII. ADJOURNMENT

Motion to adjourn. (Matayoshi/Machida)

Discussion: None.

Vote: Unanimously passed.

Meeting adjourned at 10:50 a.m.

Respectfully submitted,

/s/

Kathryn Matayoshi, Chairperson

APPROVED on May 20, 2003.

DOCUMENTS DISTRIBUTED:

1. FB 04-05 Budget. (1 page)
2. Administrative Cost Allocation Alternatives. (1 page)
3. Program Structure and Measures of Effectiveness. (3 pages)