

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Benefits Committee Meeting
January 22, 2004

TRUSTEES PRESENT

Mr. John Radcliffe, Chairperson
Mr. Harold DeCosta
Ms. Joan Lewis

Mr. Willard Miyake
Ms. Katherine Thomason

TRUSTEE ABSENT

Mr. Bob Awana

GUEST TRUSTEES

Mr. Dayton Nakanelua (Left at 4:28 pm)

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. H. Mark Fukuhara, Administrator
Mr. Lawrence Nishihara
Ms. Maria Quartero
Mr. Gary Sanehira

Mr. John Garner, Consultant
Mr. Richard Euson, Consultant
Ms. Kathleen Shiroma
Ms. Donna Tonaki

OTHERS PRESENT

Ms. Lynette Arakawa, HDS
Ms. Jean Aoki, HSRTA
Mr. Gary Asato, Kaiser Permanente
Ms. Monica Engle, VSP
Ms. Venus Gabuyo, MBAH
Ms. Beverly Gotelli, HSTA
Mr. Melvin Higa, MBAH

Mr. Tracy Matsumoto, ChiroPlan Hawaii
Mr. Norbert Mendes, HDS
Ms. Kären Muronaka, HSTA-Retired
Ms. Gertrude Nitta, HGEA-R
Mr. Peter Rodriguez, Hartford-LTC
Mr. Rod Tam, HMSA
Mr. George Yamamoto, HGEA-Retirees

I. CALL TO ORDER

The meeting of the Benefits Committee was called to order at 3 p.m. by Chairperson John Radcliffe in Conference Room 1403, Leiopapa A Kamehameha Bldg., 235 S. Beretania Street, Honolulu, Hawaii, on Thursday, January 22, 2004.

II. APPROVAL OF MINUTES: None

III. EXECUTIVE SESSION

There being no objections by the Trustees, the Benefits Committee moved into Executive Session at 3:10 p.m.

There being no objections by the Trustees, the Benefits Committee moved out of Executive Session at 3:35 p.m.

IV. REPORTS

A. Administrator

Mr. Fukuhara reported:

Special open enrollment for dual coverage medical plans is from January 12 through January 30, 2004. The information on the plans is in the Trustees' packet for the Board meeting tomorrow.

B. Deputy Attorney General: None

C. Benefits Consultant
Mr. Garner reported:

1. Colonial Life Insurance reached an agreement with South Carolina to offer a universal life insurance program for all state employees and in exchange is conducting the entire open enrollment for all benefit programs at no charge and would like to offer the same to the State of Hawaii. Mr. Garner stated that the Trustees would need to consider if they want to offer additional voluntary products. Discussion held by Trustees and staff regarding voluntary products. Mr. Garner will submit additional information on voluntary products. Further discussion held by Trustees regarding concerns about using services offered by an outside vendor versus using our staff and that the Administrative Committee will look into and report on this concept.
2. Hartford has requested a contract amendment. Mr. Garner stated that the Insurance Commissioner requested a change as current law does not allow any refunds to a long term care insured. He said that the amendment is nothing to be concerned about. Mr. Garner added that the long term care contract with Hartford needs to be reviewed to determine whether the Trust Fund would like to extend that contract. Andy Keowen will attend the next meeting to go over the pros and cons regarding this matter.
3. HMSA Benefit Changes
Mr. Garner reported that a question was raised whether the premium increase associated with HMSA's recent benefit changes were permitted under Act 111. Act 111 provides that the State's and counties' monthly contributions shall not be required to cover increased benefits above those initially contracted for by the EUTF for plan year 2004-2005. Mr. Garner stated that HMSA's recent benefit changes are more in the nature of clarifications rather than increases in benefits.

V. UNFINISHED BUSINESS

A. Rates effective 7/1/04

Mr. Garner gave an overview on the EUTF proposed medical/drug rates (see handout).

MOTION was made for the Board to approve the rates effective 7/1/04 and HMSA's proposed rates as the absolute highest rates that may be accepted, subject to negotiation with HMSA to lower these rates. (DeCosta/Miyake)

Discussion: None.

Vote: Unanimously passed.

B. Stand Alone Prescription Drug Plan

Mr. Garner reported that HMSA is willing to offer a stand alone prescription drug plan without completely unbundling its current medical and drug plans, i.e., anyone who elects HMSA medical coverage would still have bundled drug coverage. The stand alone prescription drug plan would have the same benefits and rates as the current bundled drug plan. Discussion held by Trustees and consultant on adverse selection concerns and the start date for the stand alone prescription drug plan. Mr. Garner stated that some employee-beneficiaries may select the stand alone drug plan whereas they really need both a medical and drug plan. In connection with this, he noted that there may be some employee-beneficiaries now that don't want to pay for the bundled medical and drug plan and, hence, take nothing. Mr. Garner said that implementation of the stand alone drug plan would require collective bargaining. Mr. Garner stated that the start date would be July 1, 2004.

MOTION was made for the Board to approve a stand alone prescription drug plan.
(Miyake/DeCosta)

Discussion: None

Vote: Unanimously passed.

C. Adding to Current 2 Tiers of Rates

Mr. Garner reported that the EUTF has multi-tier rates from all the current insurance carriers. He added that it would require going back to collective bargaining. Discussion held by Trustees and consultant on providing the multi-tier rates to the bargaining units.

MOTION was made for the Board to approve the EUTF staff providing the unions and employers with information on the multi-tier rates structures for their consideration and possible action. (Miyake/DeCosta)

Discussion: None

Vote: Unanimously passed.

VI. NEW BUSINESS

A. Impact on Rates if HSTA is Exempt from EUTF

Mr. Fukuhara reported that he attended a meeting with Representative Takamine and representatives from HSTA. They requested that information be provided from the EUTF's carriers on the impact, if any, that removing HSTA from the EUTF would have on the remaining people in the EUTF's plans. The request was referred to Garner Consulting. Mr. Garner reported that HMSA and Kaiser would want a modest rate increase on a percentage basis (less than 1%) - which translates to \$3.6 million annually. Aetna wants a 33% increase and Garner reported that he is still researching whether Aetna's contract gives them that right. If Aetna has that right, unless we increase the life insurance premiums, life insurance benefits would have to be reduced by a third. Mr. Garner explained why HSTA's withdrawal from the EUTF had such a

relatively large effect on Aetna versus HMSA and Kaiser. Mr. Aburano stated that under their contracts, HMSA and Kaiser can request a change in their rates if there is a withdrawal of one or more unions that has a material effect on the risk they have undertaken under their contracts; the contracts go on to say a withdrawal of less than 10% is not material. Mr. Garner stated that when he checked HSTA members comprised about 13% of the total active employee population. Discussion held by Trustees and staff regarding the impact on rates if HSTA is exempt from the EUTF and whether this information provided by Garner Consulting should be provided to the legislature.

MOTION was made for the Board to approve Garner Consulting and the EUTF staff to provide information to the legislature (or any committee of the legislature) of the impact on the EUTF's rates if HSTA is exempt from the EUTF. (Lewis/DeCosta)
Discussion held by Trustees.

Vote: Unanimously passed.

B. Kaiser Cancellation of Dependent for Cause

The Board was provided a confidential attorney-client privileged communication, dated January 16, 2004, regarding Kaiser's termination of a member.

Mr. Aburano stated this report is for information only and any action can be taken later. He reported that Kaiser terminated a dependent-beneficiary under section 9.C of Kaiser's Group Medical and Hospital Service Agreement (the "Service Agreement"). Despite this termination, the employee-beneficiary and other dependents chose to stay with Kaiser. An alternative to this was for the employee-beneficiary and all dependents, including the terminated dependent-beneficiary, to switch to an HMSA plan. Under the Service Agreement, there is apparently no method for appealing this type of termination. The Hawaii Patient's Bill of Rights requires health insurers to have some kind of appeal or arbitration procedure for certain matters. Information has been received indicating that the terminated dependent-beneficiary has filed something with the Insurance Commissioner and is seeking some kind of review. Questions were raised as to whether Kaiser's termination was inconsistent with the EUTF's rules and whether the terminated dependent-beneficiary had a right to appeal the termination to the Board. Mr. Aburano said that Kaiser's termination probably did not violate the EUTF's rules. No specific rule appeared to be violated by Kaiser's termination, particularly since the dependent-beneficiary and the rest of his or her family could have chosen to be enrolled in the EUTF's HMSA plans. In addition, there was probably no right of appeal since the EUTF rules provide for an appeal where the EUTF terminates a person, but not where one of the EUTF's health insurers terminates a person. Mr. Aburano recommended that the Board do the following: (1) under the Service Agreement, the EUTF is supposed to make the terms and conditions of the Service Agreement available to all of the members; and (2) EUTF rules should be amended to be clear that if someone is terminated from a health insurer's plan, they have the right to immediately enroll in any other available medical plan that will take them. Trustee Nakanelua left at 4:28 p.m. Discussion held by Trustees, staff, and consultant on appeals and Kaiser appeals and terminations. Comment by Mr. Asato from Kaiser that the Service Agreement is standard for all employer groups. Further

discussion by Trustees and staff on relaying clear information to participants on the appeals/termination procedures.

C. Kaiser Multi-site Contracts

Mr. Aburano stated that Kaiser multi-site contracts (i.e., contracts for Kaiser coverage of EUTF beneficiaries who reside outside of Hawaii) are with each Kaiser regional entity not with Kaiser Hawaii. He recommended that the Board authorize Garner Consulting to negotiate with the applicable Kaiser regional entities and for the EUTF administrator to sign Kaiser multi-site contracts with those entities so as to provide Kaiser coverage for the EUTF beneficiaries residing outside of Hawaii. He said that the Board should do this realizing that there is not much room for negotiations with Kaiser regional entities on the mainland because we have very few beneficiaries on the mainland.

MOTION was made for the Board to authorize Garner Consulting to negotiate and for the EUTF administrator to sign Kaiser multi-site contracts to provide Kaiser coverage for EUTF beneficiaries who reside outside of Hawaii. (Miyake/Thomason)

Discussion: None

Vote: Unanimously passed.

D. Potential Appeal Regarding Eligibility of Child Placed in Adoption

The Board was provided with a confidential attorney-client privileged communication, dated January 16, 2004, regarding eligibility of children placed for adoption.

Mr. Aburano reported that a formal appeal has been received on this matter.

Mr. Aburano summarized that an employee-beneficiary had filed an affidavit with the EUTF saying he/she intended to adopt a child and wanted to enroll the child under the employee-beneficiary's EUTF health plan. The petition for adoption that was provided by the employee-beneficiary showed that it had not been filed, but was returned to the employee-beneficiary with questions from the court. The enrollment was rejected by the EUTF staff as being insufficient to obtain coverage. Under the PEHF's rules, you could obtain coverage once you filed a petition for adoption; the PEHF staff would then track the matter to make sure that the petition was granted.

Mr. Aburano stated that during discussion at the EUTF Rules Committee there was a proposal to mirror the PEHF's rules. However, concerns were raised about the lack of a court order or other document showing a legal obligation to support the child and/or the staff having to monitor adoption proceedings. So the Committee decided not to adopt the PEHF's rules and the present rule was adopted. Mr. Aburano said that there appear to be two alternatives: (1) to be more liberal, like the PEHF, and essentially provide coverage for a child for which there is a petition for adoption and no court order; or (2) to maintain the requirement for some kind of document showing a legal obligation to support and maintain the child. In this last respect, Mr. Aburano stated that once someone files a petition for adoption, there is a statute that permits them to immediately apply for a court order under which they would obtain temporary custody of the child and have the obligation to support and maintain the child. Under such an

order, the EUTF would enroll the child. The statute was brought to the attention of the employee-beneficiary in question, but it was unclear as to whether he/she was willing to or would follow that procedure. Discussion held by Trustees and staff regarding the EUTF's adoption rules and procedures.

MOTION was made for the Board to approve for Mr. Aburano to write a letter to the appellant to: (a) advise he/she of the statute under which a court order for temporary custody pending finalizing an adoption could be obtained and providing he/she with as much information as possible about how to obtain such an order; and (b) advise he/she that upon receipt of such an order, the EUTF would provide the requested coverage.
(Miyake/Thomason)
Discussion held by Trustees.
Vote: Unanimously passed.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

There were no communications from the public.

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING

To be scheduled at a later date.

IX. ADJOURNMENT

MOTION to adjourn. (Miyake/Lewis)

Discussion: None.

Vote: Unanimously passed.

Meeting adjourned at 4:55 p.m.

Respectfully submitted,

/s/

John Radcliffe, Chairperson

APPROVED on July 20, 2004.

DOCUMENTS DISTRIBUTED:

1. EUTF Proposed Medical/Drug Rates dated 1/22/04. (1 page)
2. Approved Minutes for 9/18/03. (5 pages)