

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Benefits Committee Meeting
May 17, 2005

TRUSTEES PRESENT

Mr. John Radcliffe, Chairperson
Mr. Nelson Befitel
Ms. Joan Lewis

Mr. Willard Miyake
Mr. Stanley Shiraki
Ms. Katherine Thomason

TRUSTEES ABSENT: None

GUEST TRUSTEES:

Mr. George Kahooahanohano

ATTORNEY: Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator
Mr. Lawrence Nishihara (left at 11:55 am)
Ms. Maria Quartero

Mr. John Garner, Consultant
Ms. Gerti Reagan, Consultant
Ms. Donna Tonaki

OTHERS PRESENT

Ms. Lynette Arakawa, HDS
Ms. Sandra Benevides, Kaiser Permanente
Ms. Monica Engle, VSP
Mr. Rick Jackson, MDX Hawaii
Mr. Eleu Kane, Summerlin
Ms. Ruth Kim, HSTA-R
Mr. Kendall Matsuyoshi, Analyst for Rep. Takai

Ms. Sarah Moriyama, ORTA
Mr. Michael Moss, HMSA
Ms. Gertrude Nitta, HGEA, R
Mr. Peter Rodriguez, Hartford
Mr. Rod Tam, HMSA
Mr. Myles Taniguchi, TRIA

I. CALL TO ORDER

The meeting of the Benefits Committee was called to order at 11:09 a.m. by Chairperson John Radcliffe in Conference Room 1935, City Financial Tower, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, May 17, 2005.

II. APPROVAL OF MINUTES

The Committee reviewed the draft minutes for March 22, 2005.

There being no objections, the minutes for March 22, 2005 were approved as submitted.

III. REPORTS

A. Administrator

Mr. Williams reported:

1. Medicare Part D, Subpart R, Application for Subsidy

Overview by Mr. Williams regarding the request for information from Budget and Finance (B&F). Mr. Garner communicated with B&F that we are in place for carriers to get information and agreed with B&F that although the initial letter indicated that they would need individual information, quite a lot would be

aggregate information. This subject is pending receipt of the Attorney General's opinion.

2. UPW Agreement

The UPW agreement effective July 1, 2004 was approved by the legislature. There are changes in the salaries and the EUTF contributions for employees covered by the UPW agreement in the amount of \$47.30, i.e., an increase in the employees' salaries and an equivalent decrease in the employers' contributions to the EUTF. The new agreement reversed what was done two years ago. Mr. Williams clarified that the effective dates for all agreements were the same and that the implementation date for the EUTF contributions was changed for payroll purposes.

B. Deputy Attorney General

Mr. Aburano reported that the Attorney General's (AG) opinion to determine who the plan sponsor is that is entitled to apply for and receive the Medicare Part D subsidy is still in the works. He understood that one of the reasons why the opinion is still pending is because the AG's office wanted to take into account the recently passed VEBA legislation.

C. Benefits Consultant

1. May Report

Mr. Garner gave an overview on the May report (see written report).

- a. Financial Reports
- b. Enrollment Report
- c. Medicare Part D

Mr. Garner explained some of the assumptions that went into his previous recommendations to the Committee. He stated that if the EUTF were to ask HMSA to apply to become a prescription drug program under Medicare Part D, HMSA might consider doing that and there would be more money going from CMS to HMSA than what the State or EUTF could get under the subsidy approach. It would hold down the EUTF premiums and get the EUTF away from the issue of who has to apply for the subsidy. It is now too late for HMSA to apply for the 2006 plan year. Mr. Garner stated that based on his informal discussions with CMS, he believes that the EUTF is the plan sponsor and that regardless of the AG's opinion, it would not be binding on CMS. There is a possibility that CMS may reject the State or the EUTF's application. The consultant recommends that both the State and EUTF submit applications for the subsidy as a safety net to make sure someone will receive the subsidy. Action will be taken under Old Business.

- d. Long-Term Care Insurance
- e. Royal State Interest

IV. UNFINISHED BUSINESS

A. Medicare Part D, Subsidy R, Application for Subsidy

MOTION was made to recommend that the Board authorize the Administrator and consultant to prepare and submit a Medicare Part D subsidy application on behalf of EUTF. (Miyake/Lewis)

MOTION was made to defer this item to the June Board meeting. (Shiraki/Thomason) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

V. NEW BUSINESS

A. HMSA Physical Therapy Benefits (letter from Representative Takai)

Overview by Mr. Williams regarding Representative Takai's concerns regarding physical therapy benefit changes that HMSA made in 2003 and the Board's action regarding those changes. Discussion held by Trustees and consultant regarding the old/new guidelines. Mr. Garner recommends that the Committee defer this item to the June Board meeting to enable the consultant to address this issue with HMSA. Comments made by Mr. Pat Ariki regarding his concerns about the guidelines for physical therapy visits. Discussion held by Trustees, staff, consultant, and public regarding the clinical guidelines that HMSA changed. Mr. Garner will confirm with HMSA that there was no change to sports injury guidelines. Further discussion by Trustees regarding making benefit changes in between the contract year.

MOTION was made to recommend that the Board authorize the consultant to address this matter with HMSA to determine whether or not the change in the guidelines actually reduced physical therapy benefits. (Befitel/Thomason) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

B. Self Funding and Alternative Funding Methods for EUTF Benefit Plans

Overview by Mr. Garner regarding self-funding and alternative funding methods. Mr. Garner stated that it might be possible to renegotiate the contract with HMSA to incorporate more elements of self-funding under a fully insured contract. In discussions with Mr. Aburano, it would not be possible for the EUTF to self fund sooner than July 1, 2007 because the current contracts were based on an RFP that specifically asked for fully insured benefits. Mr. Garner stated that there are hybrid approaches between fully insured and fully self-funded that would be possible and is recommending that the Board pursue such an approach. Discussion held by Trustees regarding the hybrid methods and potential renegotiations with HMSA. Mr. Aburano explained that if the Board tried to negotiate with HMSA to change from a fully insured plan to a self-insured plan, the Board may get a complaint from entities who could have offered self-insured plans in response to the original RFP saying you have changed the contract to something materially different from what was requested under the RFP and never gave them an opportunity to bid. Mr. Aburano stated that he talked to the AG that handles procurement and she also sees this as a problem.

MOTION was made to recommend that the Board register its intent to institute self-funded benefit plans, with first priority on the active medical and prescription drug plans and that the Board instruct the consultant and Administrator to expedite the transition from insured to self-funded plans. (Radcliffe/Befitel) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

C. Carrier Contracts and Rates
To be discussed in Executive Session.

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 will be scheduled at the Board meeting.

VIII. EXECUTIVE SESSION (Items for Discussion and Action)

MOTION was made to go into Executive Session to deliberate or make a decision on matters that require the consideration of information that must remain confidential pursuant to federal or state law, and to consult with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities regarding: (1) Medicare part D, subpart R, application for subsidy; (2) carrier contracts and rates; and (3) any item of business on the Benefits Committee's agenda at 12:00 p.m.. (Thomason/Shiraki) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

MOTION was made to move out of Executive Session. (Thomason/Shiraki) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

Executive Session adjourned at 12:26 p.m.

IX. ADJOURNMENT
By consensus of the Trustees, the Benefits Committee meeting adjourned at 12:26 p.m.

Respectfully submitted,

/s/

John Radcliffe, Chairperson

APPROVED on August 24, 2005.

DOCUMENTS DISTRIBUTED:

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Benefits Committee Meeting

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1. Draft Minutes of 3/22/05. (3 pages)
2. Memorandum from Garner Consulting dated 5/9/05 to BOT Re: May Benefits Committee Report. (16 pages)
3. Letter from Representative Takai dated 4/15/05 to BOT Re: HMSA physical therapy benefits. (6 pages)