

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
Minutes of the Benefits Committee Meeting  
September 18, 2003

TRUSTEES PRESENT

Mr. John Radcliffe, Chairperson  
Ms. Audrey Hidano, Vice-Chairperson  
Mr. Bob Awana  
Mr. Harold DeCosta  
Mr. Willard Miyake

TRUSTEE ABSENT

Ms. Joan Lewis

GUEST TRUSTEES

Mr. Gerald Machida (Arrived 8:45 am)  
Mr. Mark Recktenwald (Arrived 9:10 am)  
Ms. Kathleen Watanabe (Arrived 9 am)

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. H. Mark Fukuhara, Administrator  
Mr. Lawrence Nishihara  
Ms. Maria Quartero  
Ms. Kathleen Shiroma  
Mr. John Garner, Consultant  
Ms. Gerti Reagan, Consultant  
Ms. Donna Tonaki

OTHERS PRESENT

Ms. Lynette Arakawa, HDS  
Mr. Gary Asato, Kaiser Permanente  
Mr. Tracy Ban, B&F  
Ms. Sandra Benevides, Kaiser Permanente  
Ms. Monica Engle, VSP  
Ms. Venus Gabuyo, MBAH  
Mr. Melvin Higa, MBAH  
Ms. Doreen Kuroda, DHRD  
Mr. Maurice Morita, HSTA  
Mr. Michael Moss, HMSA  
Ms. Kären Muronaka, HSTA-Retired  
Ms. Gertrude Nitta, HGEA-R  
Ms. Jody Suehan, C&C, Honolulu  
Mr. Rod Tam, HMSA  
Ms. Lori Taniguchi, Royal State  
Mr. Justin Wong, HSTA-Retired

I. CALL TO ORDER

The meeting of the Benefits Committee was called to order at 8:25 a.m. by Chairperson John Radcliffe in Conference Room 405, Leiopapa A Kamehameha Bldg., 235 S. Beretania Street, Honolulu, Hawaii, on Thursday, September 18, 2003.

II. APPROVAL OF MINUTES

Review of minutes for July 17, 2003 and August 20, 2003 and the following amendments were made:

July 17, 2003: page 1, line 27 M<sub>s</sub>. to M<sub>r</sub>. Calvin Hutton and M<sub>r</sub>. to M<sub>s</sub>. Lori Taniguchi.  
page 3, line 10 VII. to VIII.

August 20, 2003: page 3, line 18 change concur to confer.  
page 3 lines 18-20 move under the last paragraph of item IV.A.

MOTION was made to approve the minutes of July 17, 2003 and August 20, 2003 as amended. (Miyake/Hidano)  
Discussion held by Trustees.  
Vote: Unanimously passed.

III. REPORTS

- A. Administrator: None
- B. Deputy Attorney General: None
- C. Benefits Committee: None

IV. UNFINISHED BUSINESS

- A. Dual coverage medical plan effective mid-year

Trustee Miyake said that he would like the Board to pursue the offering of a dual coverage medical plan, effective mid-year. He explained that the prior selected carrier withdrew its plan because the required premiums were not covered 100% by employer contributions. This left about 5,000 participants without an opportunity to enroll in a dual coverage medical/drug plan. He said that a dual coverage plan should be offered to those participants as the collective bargaining agreements provided employer contributions for such a plan. He understands that due to the 60% employer pay and 40% employee pay that it may create an adverse selection situation, but it should still be offered to the participants. He said that the carriers that had previously submitted a proposal for a dual coverage plan should be solicited to submit new proposals. Discussion held by Trustees on how many participants are affected by the lack of dual coverage plans, adverse selection, and the Board's fiscal responsibility to the participants.

PUBLIC COMMENT

Mr. Higa stated that the Board has a duty to provide plans that have been collectively bargained for and should consider sending out an RFP with the negotiated provisions of the various contracts of the collective bargaining agreements.

Mr. Aburano stated that the Trust Fund's statute only says that the Board is to establish a health benefits plan or plans. Aside from this, it does not state any requirements for what type of plans are to be established.

MOTION was made to ask the carriers that submitted a proposal for a dual coverage plan under the original RFP if they would be interested in submitting a new proposal based upon the total dollar amounts negotiated in the collective bargaining agreements with the understanding that the employers will contribute 60% and employees will contribute 40%. (Miyake/Radcliffe)

Discussion held by Trustees and staff.

Vote: Motion failed. (Employer-Beneficiary Trustees 3 No-Awana, Hidano, DeCosta/Employee-Beneficiary Trustees 2 Yes-Miyake, Radcliffe)

B. Unbundling medical and prescription drug plans

Trustee Miyake stated that unbundling the medical and prescription drug plans would give people that have only medical coverage on the outside and others that cannot afford to pay for the bundled medical and prescription drug plans an opportunity to join a stand-alone prescription drug plan. Mr. Garner explained that there are two ways to do the unbundling: (1) complete unbundling, like the PEHF, where people could make separate elections between medical and drug coverage and elect either single or family under each of those coverages; and (2) a modified unbundling approach where if someone elects both medical and drug coverage, they must cover the same people under both plans. The second alternative would dampen the effect of adverse selection. Garner noted that for the three-year period from 1999-2002, the PEHF HMSA drug plan lost about 13 million dollars. He does not know if that was entirely due to adverse selection but strongly suspects that it was a major factor. He added that he made a point to the Benefits Committee last year that philosophically it was best to have the two coverages bundled together because they are interrelated. He stated that it is difficult to ask any carrier to control health care costs if they are not providing the drug coverage because in many instances drug therapy can keep someone out of the hospital. In addition, there are significant administrative implications. Not only does it increase the amount of work in terms of exchanging eligibility information but also it would mean that everyone including the 95% of people who want both coverages would need to have two ID cards. He said that HMSA indicated that if they could cross-apply surpluses and deficits between the two coverages it would result in a 4% increase in the premiums and would be more if they could not cross-apply surpluses and deficits. In response to a question, Garner stated that proposals were requested on a bundled and unbundled basis in the RFP, and that the Trust Fund did not receive any stand-alone bids for the drug portion. Trustee Miyake stated that if the Trust Fund designed a plan on their own based upon using only certain providers that would save costs. Mr. Garner stated that certainly if the Trust Fund was self funded, they could unbundle the two coverages because the Trust Fund would have all the risk and would simply be using vendors to provide administrative services. He also said that it would be possible to negotiate some sort of discount arrangement that might be available to people who have not opted for medical coverage. Trustee Awana asked how many of the members are adversely affected by having to go with a bundled system versus an unbundled system. Mr. Fukuhara gave information that was previously provided to the Benefits Committee, i.e., that those in the PEHF that took only drug with no medical were 527 and 1,700 took medical only with no drug.

MOTION was made to seek bids from existing carriers that were awarded Trust Fund contracts on what the rates would be to have medical and prescription drug plans unbundled for the next contract period. (Miyake/Radcliffe)

Discussion held by Trustees, staff, and consultant.

Vote: Motion failed. (Employer-Beneficiary Trustees 3 No-Awana, Hidano, DeCosta/Employee-Beneficiary Trustees 2 Yes-Miyake, Radcliffe)

C. Adding to Current 2 Tiers of Rates

Mr. Miyake stated that currently we have two tiers of rates, i.e., single and family. He stated that under the HGEA union plan a 3-tier plan was offered, i.e., single, 2 party, and 3 or more. He said that people formerly in the 2 party plan, a single person with one dependent, now have to pay the EUTF family rates, which are much higher. Ms. Reagan gave an overview on tiering (see handout). She said that the Trustees should review this information and pick which way the Trustees want to go - recognizing that which ever way you go that there would be some people that would experience an increase in rates. Discussion held by Trustees on the purpose of now offering multi-tier rates. Trustee Hidano clarified that the current 2 tiers of rates was not based on what the State would save but based on what the consultants presented; that the Trustees went with the option that would hurt the least amount of the participant population financially. She stated that she would support a new study of the matter at this time. Trustee Miyake agreed that there is a lot of time to do a study and come up with a plan.

MOTION was made to offer multi-tier rates effective the next plan year as amended to support a study at this time. (Miyake/Radcliffe)

Discussion held by Trustees.

Vote: Unanimously passed.

V. NEW BUSINESS: None

VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES  
There were no communications from the public.

VII. FUTURE AGENDA ITEMS AND NEXT MEETING  
To be scheduled at a later date.

VIII. ADJOURNMENT  
MOTION to adjourn. (Miyake/DeCosta)  
Discussion: None.  
Vote: Unanimously passed.

Meeting adjourned at 9:15 a.m.

Respectfully submitted,

/s/

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John Radcliffe, Chairperson

APPROVED on November 18, 2003.

DOCUMENTS DISTRIBUTED:

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1. Minutes for July 17, 2003. (3 Pages)
2. Minutes for August 20, 2003. (4 Pages)
3. EUTF Tiering Model dated 9/18/03. (1 Page)