

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Benefits Committee Meeting
November 16, 2004

TRUSTEES PRESENT

Mr. John Radcliffe, Chairperson Ms. Katherine Thomason
Mr. Stanley Shiraki (Arrived at 1:29 pm)

TRUSTEES ABSENT

Mr. Nelson Befitel
Ms. Joan Lewis
Mr. Will Miyake

ATTORNEY: Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. Lawrence Nishihara, Acting Administrator Mr. John Garner, Consultant
Ms. Maria Quartero Mr. Andy Keowen, Consultant
Ms. Kathleen Shiroma Ms. Donna Tonaki

OTHERS PRESENT

Ms. Sandra Benevides, Kaiser Permanente Ms. June Kadomoto, ORTA
Ms. Monica Engle, VSP Ms. Alice Kotake, HSTA-R
Ms. Elaine Fujiwara, HDS Mr. Michael Moss, HMSA
Ms. Venus Gabuyo, MBAH Ms. Gertrude Nitta, HGEA-R
Mr. Rick Jackson, MDX Hawaii Mr. Rod Tam, HMSA
Ms. Ruth Kim, HSTA-R Mr. George Yamamoto, HGEA-Retirees

I. CALL TO ORDER

The meeting of the Benefits Committee was called to order at 1:07 p.m. by Chairperson John Radcliffe in Conference Room 405, Leiopapa A Kamehameha Building, 235 South Beretania Street, Honolulu, Hawaii, on Tuesday, November 16, 2004.

II. APPROVAL OF MINUTES: None

III. REPORTS

- A. Administrator: None
- B. Deputy Attorney General: None
- C. Benefits Consultant
 Mr. Garner reported:

1. Financial Experience Report

Mr. Garner gave an overview on the financial experience report and active and retiree enrollment (see handouts). The results are positive, there are still surpluses in the medical and drug and the dental is also in the surplus. There is a gain in the 1st quarter. The active and retiree enrollment is only for the medical and if this information is helpful, the other coverages may be added in

future reports. Chair Radcliffe requested that the other coverages be added in future quarters when submitting reports.

2. Benefit Plan Changes

a. HMSA

The proposed EUTF benefit and administrative changes are effective July 1, 2005 (see handout). These changes are basically to comply with State mandates, there is no rate impact or additional charge, and nothing is seen as controversial.

b. Kaiser Permanente

Mr. Garner gave an overview on Kaiser's benefit plan changes for items 1-3 (see handout). Ms. Benevides also added that the change for substance abuse parity is effective January 1, 2005. Discussion held by Trustees, public, and consultant regarding the increases. Mr. Garner stated that the 10% for x-ray and labs are optional, no change needs to be made and the rates will be discussed in Executive Session. Chair Radcliffe had concerns regarding the following benefit plan changes: 1) Contraceptive drugs and devices; 2) billing charge; and 3) outstanding balances. Ms. Benevides addressed the concerns and explained the reasons for the changes. Chair Radcliffe is concerned that the billing charges will have the greatest impact on the poorest people. He understands the philosophy of the contraceptive drugs and devices but does not agree. On the billing charges and outstanding balances, he underscores for Kaiser that as a HMO if you are going to increase the charges that people receive of the poorest that you represent it is not the right direction.

c. HDS

There are coding changes that are taking place in the dental industry and there will need to be some modifications made. Garner will be prepared to make a report at the next meeting. The same plan design will remain in place.

3. Discount Plan

Mr. Garner was approached by someone who offers a discount plan for people who do not have any coverage and that they would like to make a presentation to the Board which he does not think is necessary. Chair Radcliffe asked what it provides. Mr. Garner stated that it provides the PPO level of benefits or charges and would give the uninsured access to discounted fees.

IV. UNFINISHED BUSINESS: None

V. NEW BUSINESS

A. FY2006 Rates

To be discussed in Executive Session.

B. Medicare Prescription Drugs

Mr. Garner gave an overview regarding prescription plan options for retirees with Medicare (see handout). Mr. Garner gave additional information regarding the three basic options: 1) Coordination of Benefits Option – Under this plan everyone would be at least as well off or better off in terms of benefits, they would have a better benefit than they have now and the EUTF would have a lower net cost; 2) Supplemental Benefits – Depending on which option you chose, some people could wind up with a lower level of benefits while most would have a higher level of benefits. It is a totally different program and would not necessarily leave everyone in the same place. The costs would be lower; and 3) Subsidy – There is a question as to who gets the subsidy, the Medicare regulations are not clear if the money should go to the EUTF or go to the Employers directly. Chair Radcliffe stated that this issue was brought before the Board several months ago and there was a claim made that someone unknown in the State Administration had written to the Department of Health and Human Services to gain an exception, change or modification to the language of the proposed language. Chair Radcliffe could not find who that person or persons were, so he wrote letters to our congressional delegation and to the Medicare Policy and Provider branch. The response he received was that there is no record that someone from the State has written and asked for any clarification. Chair Radcliffe stated that as he reads it, the money comes to the EUTF. Mr. Garner stated that was reasonable but it is open to interpretation. Discussion held by the Trustees and public regarding who the subsidy should go to. Garner Consulting's analyses are on what the Board's options are and what the relative costs or savings associated with each of them would be. If the Board wants to pursue either the coordination of benefits or the supplemental benefits option, then that issue should be raised in the Administrative Committee so we could get moving on legislation that would authorize payment to the Part D premiums. Chair Radcliffe inquired what would be the greatest good for the retirees at the lowest costs among the three options. He added that the retirees have always stated that they do not want any more or lose anything. Mr. Garner stated that the subsidy approach meets that goal. The benefits are not changed, any retiree who wants to can still choose to pay the Part D premium on their own and get a better level of benefits, and the EUTF would have a savings in claims. If we had a subsidy, it would be possible to use that subsidy to postpone the day in which we would go over the retiree caps. If the EUTF wants to pursue the subsidy approach, no action needs to be taken at this time.

C. Appeal by Member

Mr. Nishihara stated that the EUTF staff denied the applicant's enrollment to add her adopted child based on the staff's interpretation of the EUTF's Administrative Rules and HRS Chapter 87A. The denial by EUTF staff was based on the interpretation that under the definition of "child" in Rule 1.02, only an employee (which includes retired employees) can add an adopted child to his/her coverage. Since the surviving spouse was not an employee, but an employee-beneficiary, she was deemed ineligible to enroll a child adopted after the death of her retiree spouse. Discussion held by Trustees and staff regarding the relevant definitions and the

staff's interpretations of the same. By consensus of the Trustees, the Benefits Committee recommends that the Board follow the recommendation of the EUTF staff confirming the staff interpretation of the Administrative Rules to deny enrollment.

D. Special Enrollment - Kauai

Mr. Nishihara reported that Kaiser Permanente will have fewer Kauai practitioners and providers and that the EUTF staff has recommended that a special open enrollment be held for the island of Kauai. Discussion held by the Trustees and staff regarding who will be able to participate in the special open enrollment. Chair Radcliffe requested that advance notices be sent to all government entities, Kauai representatives, and the Kauai legislators regarding the open enrollment.

Mr. Nishihara stated that letters will be sent to Department Heads and Departmental Personnel Officers on Friday, next week Monday letters will be sent to all employees, and then Kaiser will send a letter with specifics. By consensus of the Trustees, the Benefits Committee recommends that the Board approve that a special open enrollment be held for the island of Kauai.

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 a later date as needed.

VIII. EXECUTIVE SESSION (Items for Discussion and Action)

MOTION was made to go into Executive Session to consult with the board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities regarding: (1) amendment of contracts with providers, effective July 1, 2005; (2) appeal by member; and (3) any other item of business on the Benefits Committee's agenda. To deliberate concerning the authority of persons designated by the Board to negotiate extension of carrier contracts at 1:53 p.m. (Shiraki/Thomason) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-1)

MOTION was made to move out of Executive Session. (Shiraki/Thomason) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-1)

Executive Session adjourned at 2:17 p.m.

Report from Executive Session:

1. FY 2006 Rates

The Benefits Committee recommends that the Board accept the rates for FY 2006.

2. Benefit Plan Changes

The Benefits Committee recommends that the Board approve the benefit plan changes for HMSA and Kaiser.

IX. ADJOURNMENT

Motion to adjourn. (Shiraki/Thomason)

Discussion: None.

Vote: Unanimously passed.

Meeting adjourned at 2:19 p.m.

Respectfully submitted,

/s/

John Radcliffe, Chairperson

APPROVED on January 18, 2005.

DOCUMENTS DISTRIBUTED:

1. EUTF Claims Experience Summary for Three Months Ended 9/30/04-Estimated dated 11/16/04. (1 page)
2. Active and Retiree Enrollment dated 11/16/04. (2 pages)
3. Proposed EUTF Benefit and Administrative Changes Effective 7/1/05 dated 11/16/04. (1 page)
4. Kaiser Foundation Health Plan, Inc., Hawaii Region, Summary of Important Changes for 2005 Group HMO Plan Contract Renewals dated 9/29/04. (2 pages)
5. Kaiser Permanente Kauai Practitioners and Providers as of 10/12/04. (6 pages)
6. Letter from Garner Consulting (Re: Prescription Plan Options for Retirees with Medicare) dated 11/16/04. (3 pages)