

1 HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

2 Minutes of the Board of Trustees

3 Tuesday, February 5, 2002

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- 6 TRUSTEES PRESENT: Mr. Sam Callejo, Chairperson
7 Ms. Audrey Hidano, Vice-Chairperson
8 Ms. Kathryn S. Matayoshi
9 Mr. Neal Miyahira
10 Mr. Will Miyake
11 Mr. Chip Uwaine
12 Mr. Davis Yogi
13 Ms. Joan Lewis
14 Mr. Jimmy Yasuda (Arrived 9:50 a.m.)
15
- 16 TRUSTEES ABSENT: Mr. Jim Williams, Secretary-Treasurer (Out-of-State)
17
- 18 ATTORNEY: Mr. Brian Aburano, Deputy Attorney General
19
- 20 BUDGET & FINANCE Ms. Wanda Kimura
21 PROJECT TEAM Mr. Tracy Ban
22 Ms. Lynette Fukunaga
23 Ms. Karen Tom
24 Mr. Gary Sanehira
25 Mr. Thomas Morrison, The Segal Company
26 Ms. Shirley Kawamoto
27
- 28 OTHERS PRESENT: Mr. Rod Tam, HMSA
29 Ms. Alana Deppe-Mariota, Kaiser Permanente
30 Mr. Norbert Mendes, HDS
31 Ms. Monica Engle, VSP
32 Mr. Gordon Murakami, Royal State
33 Mr. Melvin Higa, MBAH
34 Mr. Melvin Kutara, C&C of Honolulu, Dept. of Human Resources
35 Ms. Gertrude Nitta, HGEA-Retiree
36 Ms. Nani Crowell, HSTA
37 Mr. George Butterfield, HSTA-Retiree
38 Ms. Ruth Kim, HSTA-Retiree
39 Mr. Charles Khim
40 Mr. Stan Okinaka, Monarch Insurance Services

41
42 A. CALL TO ORDER

43 The regular meeting of the Board of Trustees was called to order at 9:10 a.m. by Ms. Audrey
44 Hidano, Vice-Chairperson, in Conference Room 303/304, No. 1 Capitol District Building,
45 250 South Hotel Street, Honolulu, Hawaii, on Tuesday, February 5, 2002.
46

47
48 B. APPROVAL OF MINUTES

1 Mr. Uwaine, temporary Secretary-Treasurer for the January 24 and 29, 2002 meetings, reports he
2 is still revising the minutes; the minutes for both meetings will be ready at the next board
3 meeting.
4

5 C. PROCUREMENT OF FIDUCIARY LIABILITY, ERROR AND OMISSIONS, AND
6 FIDELITY BOND INSURANCE (Agenda Item III.A.1 – 2)

7 Letters soliciting interest by insurance brokers were sent. A packet of information which includes
8 the insurance application forms (signed by Chairperson Callejo), enabling legislation, and what
9 the brokers' proposals should cover, i.e., full insurance coverage, partial coverage for state's
10 deductible, and broker's recommendation will be available on February 6, 2002. Mr. Uwaine
11 reclarified that his intent is to procure insurance independently from the state, i.e., insurance
12 coverage that is not combined with state insurance coverages.
13

14 Mr. Aburano distributed to the board for review a draft letter to the comptroller requesting
15 permission to purchase insurance without going through the comptroller. There was discussion
16 on what would occur if the comptroller did not grant permission for the board to purchase
17 insurance independently. Mr. Aburano indicated that there may not be a problem in obtaining
18 permission from the comptroller. The board will review the draft letter and take action at the
19 next meeting.
20

21 Mr. Morrison commented that it is common in the insurance industry to require a statement of
22 authority from some government agency, e.g., the Attorney General or Comptroller, relating to
23 the authority to enter into a contract. Mr. Uwaine raised a procedural question as to the status of
24 Mr. Morrison, whether he is speaking as a consultant to the board or as a member of the public.
25 If Mr. Morrison speaks as a member of the public, he must comment when public comment is
26 accepted, otherwise, the Employee-Beneficiary Trustee consultants should have the same
27 courtesies.
28

29 Mr. Uwaine requested that Mr. Khim comment on the procedural question. Mr. Khim indicated
30 that the Employee-Beneficiary Trustees hired him as their consultant to assist the Employee-
31 Beneficiary Trustees in carrying out their duties and he has the same status as Mr. Morrison. He
32 commented that the Project Team is not staff to the board.
33

34 Mr. Uwaine clarified that Mr. Khim is his private attorney as a trustee and advises him on his
35 liability as a trustee. Mr. Khim and Mr. Higa are his consultants for issues that may arise.
36 Mr. Khim indicated that Mr. Higa is his employee.
37

38 Mr. Aburano commented that an Office of Information Practices opinion indicates that when
39 individuals who are actually members of the public are allowed to comment during board
40 deliberations, those individuals are essentially being allowed to participate in the board's
41 deliberations as if they were ex-officio members of the board. The OIP opinion indicates that it
42 is proper to have public comments separate from the board's deliberations.
43

44 It was agreed that it is left to the judgment of the chair to determine whom to recognize for
45 comments during deliberations and if public comment is allowed by the chair, then other trustees
46 should be asked if they wish to have public comment from other individuals.

1
2 PUBLIC COMMENTS

3 M. Higa, Mutual Benefit Association of Hawaii, commented that the law provides that all
4 administrative costs of the trust fund are added to the premiums paid by the employee-
5 beneficiaries and employer costs are fixed based upon negotiated contributions.
6

7 C. Khim, member of public and attorney, commented that the purchase of insurance by the board
8 may not be exempt from Chapter 103D, HRS, and if the board is exempt from Chapter 103D,
9 HRS, he suggests that the board develop a procurement procedure anyway. In response,
10 Mr. Aburano commented that §41D-2(b), HRS, provides that Chapter 103D, HRS, does not
11 apply to the acquisition of insurance by or for state agencies.
12

13 Staff provided copies of a draft procurement process to the board for review and comment at the
14 next board meeting; this will be placed on the agenda for the next meeting.
15

16 PUBLIC COMMENTS:

17 M. Higa, Mutual Benefit Association of Hawaii, commented on the procurement of insurance by
18 the board.
19

20 FURTHER DISCUSSION:

21 Mr. Aburano reported on his follow-up concerning the State's crime policy. He advised that the
22 State's crime policy appears not to be a good substitute for a fidelity bond because of the
23 policy's exclusion of employees who are required by law to be individually bonded. The State's
24 crime policy insurer has taken the position that the board's chairperson is required to be
25 individually bonded due to §87A-25(5), HRS. This may also apply to any other trustee and staff
26 who are designated to handle funds. Mr. Aburano said that he was trying to get clarification on
27 this last point from the State's crime policy insurer.
28

29 D. RETENTION OF AUDITORS, ACTUARIES, INVESTMENT FIRMS AND MANAGERS,
30 BENEFIT PLAN CONSULTANTS, OR OTHER PROFESSIONAL ADVISORS (Agenda
31 Item III.A.3.)

32 This item will be included in discussions on staffing and budget.
33

34 E. ADOPTION OF RULE-MAKING PROCEDURES (Agenda Item III.A.4)

35 This item was discussed at the January 31, 2002 meeting.
36

37 F. LEGAL ADVISOR TO AND LEGAL REPRESENTATION OF THE TRUST (Agenda
38 Item III.A.5)

39 A copy of a letter from the Attorney General confirming Mr. Aburano's assignment to the board
40 as its legal advisor was distributed to the board.
41

42 Mr. Aburano reported that, aside from the Reapportionment Commission, he has not had a
43 department or commission/board assigned to him as a regular client; up until now, he has been
44 assigned to matters on a case by case basis. Mr. Aburano was asked for and provided an oral
45 presentation of his credentials; he will provide a written summary after approval from the
46 Attorney General.

1
2 G. PRESENTATION – ADMINISTRATION OF EUTF (Agenda Item IV.C.)

3 Presentation by Mr. Miyahira with the assistance of Mr. Morrison on the various factors that the
4 board will need to consider in determining whether to use a third party administrator or a captive
5 administrator (an exclusive administrator). The presentation is based upon material developed by
6 the Project Team. A handout of the presentation was provided.
7

8 DISCUSSION:

9 Discussed the capabilities of the current Health Fund Office in handling the enrollment of 90,000
10 participants. There are many alternatives in handling the new enrollment of the existing
11 participants in employee organization and Health Fund plans. The Health Fund's computer
12 system (HFIMS) keeps the data on all State and county participants enrolled in both Health Fund
13 and employee organization plans. Staff will research the time it took to handle the last mass
14 enrollment of participants in 1990 and provide an update on each jurisdiction's enrollment
15 counts.
16

17 RECESS at 10:55 a.m.; reconvened at 11:05 a.m.
18

19 Discussion on whether the employing agencies are able to perform the enrollment data entry.
20 Currently employing agencies are entering enrollee demographics, employment status, and
21 payroll information into a human resources computer system. The only information not being
22 entered at the employing agency is the health plan enrollment data.
23

24 Discussed the impact of collective bargaining negotiations of employer contributions on the
25 timing of benefit plan design, i.e., whether plan designs are done after or before negotiations of
26 the employer contributions. One approach is to begin designing plans based on the current
27 dollars now being allotted. Concern was raised about the time allotted for the board to take
28 action and whether there is sufficient time to make decisions and educate employees and retirees
29 of any changes in health plans that may result. It was suggested that when the benefits committee
30 begins to meet, the design discussions for retiree and active employee plans be bifurcated so that
31 interested public members may make comments.
32

33 PUBLIC COMMENTS:

34 M. Higa, Mutual Benefit Association of Hawaii, asked if there is a cost of the employing
35 agencies' involvement in enrolling employees reflected in the budget presented. Mr. Morrison
36 indicated that since the employing agencies are already entering the data for the human resources
37 system, no additional cost was considered.
38

39 G. Murakami, Royal State, commented that it is too late to do anything in administration to meet
40 a July 1, 2003 deadline. Each jurisdiction has its own EDP requirements and there is a lot of
41 work to be done to obtain a standardized EDP system for trust administration.
42

43 FURTHER DISCUSSION:

44 It was asked if any of the existing employee organization third party administrators (TPA) have
45 the capabilities to perform as a TPA for the trust.
46

1 PUBLIC COMMENT

2 N. Crowell, HSTA, commented that the administrator for the HSTA plans could not handle
3 90,000 participants at this point. She further commented that the Department of Education (DOE)
4 systems are very out-of-date and she has concerns regarding the DOE's ability to handle a large
5 enrollment.

6
7 M. Higa, Mutual Benefit Association of Hawaii, commented that the issue of whether a TPA falls
8 under the managed competition law needs to be addressed. He commented that when the trust
9 employees become exempt from civil service, the trust will see large turnover.

10
11 G. Butterfield, retiree, commented that it is important that the board be familiar with how
12 departments handle enrollment processes especially if the trust expects the employing agency to
13 handle enrollments. It can take a new teacher up to eight weeks to get a first paycheck.

14
15 C. Khim, member of the public and attorney, commented that the American Benefits Plan
16 Administrator (ABPA) is a national TPA that does have staff locally, and he knows that the local
17 office has computers with the ability to input data, calculate benefits, etc. He suggested that the
18 board makes its own investigation as to the TPA's available locally. He does not agree with the
19 presentation made today that he feels implied that a captive administrator is the best way to go.

20
21 FURTHER DISCUSSION

22 If the board wants to go with a TPA, then it needs to be a priority. The Board could use a request
23 for information (RFI) which is an informal process to obtain information as to what is available
24 locally (cost, services, and qualifications of providers) so that a decision can be made. The State
25 Deferred Compensation board is in the process of using this option. Other discussion covered the
26 need to maintain the Health Fund staff upon the transition, the need to confirm what the true
27 administrative costs are, the difficulties with the upcoming change in administration (governor),
28 the difficult transition for negotiations and approval of final negotiated items, and the need for
29 funding information before a request for proposals (RFP) can be issued and its timing. Discussed
30 the specifications for the RFI and whether it should include one entity with subcontractors,
31 whether an administrator should be hired to coordinate/manage multiple TPAs, or whether one
32 TPA should handle everything. More discussion and information is needed to determine if there
33 are various options to consider.

34
35
36 H. HIRING OF AN ADMINISTRATOR/EXECUTIVE DIRECTOR (Agenda Item IV.B.)

37 Ms. Karen Tom identified the documents distributed: civil service class specifications and civil
38 service position description for Health Fund Administrator, and a draft position description for an
39 EUTF Administrator. She explained that a position exempt from civil service does not follow
40 civil service law (Chapter 76, HRS) which includes recruitment through civil service procedures,
41 classification of positions, salary schedules, and probationary period. However, Chapter 78, HRS,
42 concerning public service applies including citizenship and residence requirements. Before
43 recruitment can begin, the exempt position must be established and approved to fill by the
44 governor.

45
46 DISCUSSION:

1 Discussed civil service range and market salary ranges for the Administrator, and approximate
2 length of time for a recruitment. Trustees to review the draft position description for further
3 discussion at the next meeting.
4

5 I. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

6 The meeting for February 7, 2002 is cancelled for lack of quorum. The next meeting is
7 February 12, 2002 at 9 a.m.
8

9 J. ADJOURNMENT

10 A motion to adjourn the meeting was made by Mr. Uwaine and seconded by Mr. Miyake. The
11 motion as unanimously passed.
12

13 The meeting was adjourned at 12:10 p.m.
14

15 Respectfully submitted,
16
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18
19
20 _____
21 Clifford T. Uwaine for
22 James Williams, Secretary-Treasurer

23 APPROVED AS CORRECTED
24 on March 5, 2002.
25

26 Documents Distributed:

- 27 1. Letter dated January 24, 2002 from Attorney General designating Deputy Attorney General
28 Brian Aburano to the Board of Trustees of the EUTF. (1 page)
29 2. Interim EUTF Budget, January 2002 – June 30, 2003. (3 pages)
30 3. EUTF Proposed Budget, Subject to Revision, Fiscal Year 2002 and Fiscal Year 2003. (2 pages)
31 4. Class Specification for the Class Health Fund Administrator, Departmental Personnel Services,
32 State of Hawaii. (5 pages)
33 5. Position Description, Executive Secretary, Hawaii Public Employees Health Fund, Pos. No. 13052.
34 (3 pages)
35 6. Draft dated December 4, 2001, position description for EUTF Administrator. (5 pages)
36 7. Draft dated November 15, 2001 for position description for EUTF Secretary. (4 pages)
37 8. Captive versus Third-Party Administration, Board Meeting February 5, 2002, PowerPoint
38 presentation. (22 pages)
39 9. Review recommendations on desired capabilities of Administrative Entity. (4 pages)
40 10. Draft letter to DAGS/Comptroller, request to waive any discretion the Comptroller has to obtain
41 fiduciary liability insurance, errors and omissions insurance, and fidelity bonds for the board and
42 its trustees. (2 pages; distributed to Trustees only)
43 11. Draft dated January 10, 2002 regarding EUTF Procurement Process. (1 page)