HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Minutes of the Board of Trustees
Tuesday, February 5, 2002

TRUSTEES PRESENT: Mr. Sam Callejo, Chairperson
Ms. Audrey Hidano, Vice-Chairperson
Ms. Kathryn S. Matayoshi
Mr. Neal Miyahira
Mr. Will Miyake
Mr. Chip Uwaine
Mr. Davis Yogi
Ms. Joan Lewis
Mr. Jimmy Yasuda (Arrived 9:50 a.m.)

TRUSTEES ABSENT: Mr. Jim Williams, Secretary-Treasurer (Out-of-State)

ATTORNEY: Mr. Brian Aburano, Deputy Attorney General

BUDGET & FINANCE Ms. Wanda Kimura
PROJECT TEAM Mr. Tracy Ban
Ms. Lynette Fukunaga
Ms. Karen Tom
Mr. Gary Sanehira
Mr. Thomas Morrison, The Segal Company
Ms. Shirley Kawamoto

OTHERS PRESENT: Mr. Rod Tam, HMSA
Ms. Alana Deppe-Mariota, Kaiser Permanente
Mr. Norbert Mendes, HDS
Ms. Monica Engle, VSP
Mr. Gordon Murakami, Royal State
Mr. Melvin Higa, MBAH
Mr. Melvin Kutara, C&C of Honolulu, Dept. of Human Resources
Ms. Gertrude Nitta, HGEA-Retiree
Ms. Nani Crowell, HSTA
Mr. Gary Sanehira
Mr. Stan Okinaka, Monarch Insurance Services

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

B. APPROVAL OF MINUTES
Mr. Uwaine, temporary Secretary-Treasurer for the January 24 and 29, 2002 meetings, reports he is still revising the minutes; the minutes for both meetings will be ready at the next board meeting.

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

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

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

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

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

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

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

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

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

PUBLIC COMMENTS:

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

FURTHER DISCUSSION:

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

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

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

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

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

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

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

Mr. Aburano reported that, aside from the Reapportionment Commission, he has not had a department or commission/board assigned to him as a regular client; up until now, he has been assigned to matters on a case by case basis. Mr. Aburano was asked for and provided an oral presentation of his credentials; he will provide a written summary after approval from the Attorney General.
G. PRESENTATION – ADMINISTRATION OF EUTF (Agenda Item IV.C.)

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

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

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

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

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

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

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

FURTHER DISCUSSION:
It was asked if any of the existing employee organization third party administrators (TPA) have the capabilities to perform as a TPA for the trust.
PUBLIC COMMENT
N. Crowell, HSTA, commented that the administrator for the HSTA plans could not handle
90,000 participants at this point. She further commented that the Department of Education (DOE)
systems are very out-of-date and she has concerns regarding the DOE’s ability to handle a large
enrollment.

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

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

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

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

H. HIRING OF AN ADMINISTRATOR/EXECUTIVE DIRECTOR (Agenda Item IV.B.)
Ms. Karen Tom identified the documents distributed: civil service class specifications and civil
service position description for Health Fund Administrator, and a draft position description for an
EUTF Administrator. She explained that a position exempt from civil service does not follow
civil service law (Chapter 76, HRS) which includes recruitment through civil service procedures,
classification of positions, salary schedules, and probationary period. However, Chapter 78, HRS,
concerning public service applies including citizenship and residence requirements. Before
recruitment can begin, the exempt position must be established and approved to fill by the
governor.

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

I. FUTURE AGENDA ITEMS AND NEXT MEETING DATE
The meeting for February 7, 2002 is cancelled for lack of quorum. The next meeting is February 12, 2002 at 9 a.m.

J. ADJOURNMENT
A motion to adjourn the meeting was made by Mr. Uwaine and seconded by Mr. Miyake. The motion as unanimously passed.

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

Respectfully submitted,

________________________________
Clifford T. Uwaine for James Williams, Secretary-Treasurer

APPROVED AS CORRECTED
on March 5, 2002.

Documents Distributed:
1. Letter dated January 24, 2002 from Attorney General designating Deputy Attorney General Brian Aburano to the Board of Trustees of the EUTF. (1 page)
3. EUTF Proposed Budget, Subject to Revision, Fiscal Year 2002 and Fiscal Year 2003. (2 pages)
4. Class Specification for the Class Health Fund Administrator, Departmental Personnel Services, State of Hawaii. (5 pages)
5. Position Description, Executive Secretary, Hawaii Public Employees Health Fund, Pos. No. 13052. (3 pages)
7. Draft dated November 15, 2001 for position description for EUTF Secretary. (4 pages)
8. Captive versus Third-Party Administration, Board Meeting February 5, 2002, PowerPoint presentation. (22 pages)
9. Review recommendations on desired capabilities of Administrative Entity. (4 pages)
10. Draft letter to DAGS/Comptroller, request to waive any discretion the Comptroller has to obtain fiduciary liability insurance, errors and omissions insurance, and fidelity bonds for the board and its trustees. (2 pages; distributed to Trustees only)