

1 HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
2 Minutes of the Board of Trustees
3 Tuesday, February 12, 2002
4
5

6 TRUSTEES PRESENT: Mr. Sam Callejo, Chairperson
7 Ms. Audrey Hidano, Vice-Chairperson
8 Mr. Jim Williams, Secretary-Treasurer
9 Ms. Joan Lewis (Arrived 9:35 a.m.)
10 Ms. Kathryn S. Matayoshi
11 Mr. Will Miyake
12 Mr. Chip Uwaine (Left 9:55 a.m.)
13 Mr. Jimmy Yasuda (Arrived 9:20 a.m.)
14

15 TRUSTEES ABSENT: Mr. Neal Miyahira (Out-of-State)
16 Mr. Davis Yogi (Meeting)
17

18 ATTORNEY: Mr. Brian Aburano, Deputy Attorney General
19

20 STAFF Mr. Tracy Ban
21 Ms. Lynette Fukunaga
22 Ms. Shirley Kawamoto
23 Ms. Wanda Kimura
24 Mr. Gary Sanehira
25 Ms. Karen Tom
26

27 OTHERS PRESENT: Ms. Jean Aoki, HSRTA
28 Mr. George Butterfield, HSTA-Retiree
29 Ms. Nani Crowell, HSTA
30 Ms. Monica Engle, VSP
31 Mr. Melvin Higa, MBAH
32 Mr. Charles Khim
33 Mr. Norbert Mendes, HDS
34 Mr. Maurice Morita, HSTA
35 Mr. Thomas Morrison, The Segal Company
36 Mr. Gordon Murakami, Royal State
37 Ms. Gertrude Nitta, HGEA-Retiree
38 Mr. Rod Tam, HMSA
39

40 A. CALL TO ORDER

41 The regular meeting of the Board of Trustees was called to order at 9:10 a.m. by Mr. Sam
42 Callejo, Chairperson, in Conference Room 303/304, No. 1 Capitol District Building, 250 South
43 Hotel Street, Honolulu, Hawaii, on Tuesday, February 12, 2002.
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46
47 B. APPROVAL OF MINUTES

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1 Mr. Uwaine, temporary Secretary-Treasurer for the January 24 and 29, 2002 meetings, gave the
2 minutes for both meetings to staff this morning for distribution and review at the February 14,
3 2002 meeting.

4 Minutes for January 31, 2002 were reviewed. MOTION was made by Mr. Miyake and seconded
5 by Ms. Hidano to approve the minutes of January 31, 2002. The minutes were unanimously
6 approved as submitted.

7
8 Mr. Uwaine was delegated Secretary-Treasurer for review of the February 5, 2002 meeting
9 minutes due to the absence of Trustee Williams.

10
11 C. UPDATE ON INSURANCE (Agenda Item III.A.1-2)

12 Four insurance brokers/agents responded to the Board's letter soliciting interest and the
13 brokers/agents' responses are expected on February 22, 2002. The brokers/agents who obtained
14 information packets on February 6, 2002 were: Monarch (packet picked up at 2:10 p.m.); AON
15 (packet picked up at 2:15 p.m.); Marsh USA (packet picked up at 2:25 p.m.); and a packet was
16 mailed in the late afternoon of February 6, 2002 to Willis Corroon in response to their telephone
17 request.

18
19 D. AGENDA ITEMS III.A.3 – 5 had been previously discussed.

20
21 E. AGENDA ITEMS III.A.6 – 8 and III.A.9

22 Without objection, these items were combined for discussion as they are related.

23
24 Trustee Uwaine provided a packet of four documents:

- 25 • Legislative Briefing, Employer-Union Health Benefits Trust, February 5, 2002 (36 pages)
- 26 • Safeguarding Health Benefits, the Hawaii Employer-Union Health Benefits Trust Fund by
27 State of Hawaii, Department of Budget and Finance, Neal Miyahira, Director (25 pages)
- 28 • Employer-Union Trust Plan Design, Active Participants (7 pages)
- 29 • The Hawaii Employer-Union Health Benefits Trust Fund, Safeguarding Hawaii's Health
30 Benefits Fact Sheet (2 pages)

31
32 Mr. Uwaine stated that he understood that these documents were distributed to State legislators
33 and Mr. Miyahira had given a briefing to representatives of the House; he was uncertain if a
34 briefing had been given to representatives of the Senate. Mr. Uwaine said he would like to ask
35 Mr. Miyahira questions concerning the documents, any presentation or presentations made to the
36 Legislature, and who on the staff, if any, assisted in the preparation of the documents and any
37 such presentations. He noted that it appeared that information may have been presented that had
38 not been brought to the Board. He also expressed his concern that the presentation may have
39 created a perception by certain legislators that the presentation and documents came from the
40 Trust. Mr. Uwaine asked Ms. Kimura if she was familiar with the documents, and she responded
41 affirmatively that she was familiar with the documents as part of the project team. In response to
42 Mr. Uwaine's question, Ms. Kimura indicated that any work she had done on the documents was
43 prior to being assigned as staff to the Trust. She also answered "no" to Mr. Uwaine's question as
44 to whether staff was present at a legislative briefing. Mr. Uwaine requested than an investigative
45 committee be formed to determine staff's involvement in the preparation of any documents used

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1 in the alleged presentation. Mr. Uwaine and Ms. Hidano agreed to meet with staff and report
2 their findings to the Board.

3
4 Trustee Yasuda arrived at 9:20 a.m.

5 Mr. Yasuda stated his concern that any proposed benefit plans be thoroughly reviewed by the
6 Trustees, with an opportunity for employee-beneficiaries to submit their input.

7
8 The Chair stated that Trustees will review the documents and discuss the documents and
9 presentation with Mr. Miyahira at the February 19, 2002 meeting. Mr. Miyahira is out-of-state
10 and returns to work on Friday, February 15. This item will be placed on the February 19, 2002
11 agenda.

12
13 MOTION was made by Mr. Uwaine and seconded by Mr. Miyake that an investigative
14 committee, comprised of Trustees Uwaine and Hidano, be formed to determine the involvement
15 of project staff in any presentations that were made to representatives of the Legislature on or
16 about February 5, 2002. No objections were made and the motion was passed unanimously.

17
18 There was discussion on adjourning the meeting until a discussion of the legislative packet
19 occurs with Mr. Miyahira at the February 19, 2002 meeting.

20
21 RECESS at 9:30 a.m.; reconvened at 9:40 a.m. Trustee Lewis arrived at 9:35 a.m.

22
23 Discussion continued on the subject of the legislative briefing. In response to questions by
24 Mr. Uwaine regarding any presentation by Mr. Miyahira to the representatives of the Legislature
25 and their involvement in the preparation of documents or presentation, Mr. Morrison and
26 Ms. Kimura deferred until Mr. Miyahira could be present.

27
28 Certain Trustees suggested that the Board notify the Legislature that the documents and any
29 presentations made by Mr. Miyahira were not prepared by or presented on behalf of the Board so
30 that there is no misunderstanding. Some of the Trustees said that it was important that the Board
31 be made aware of any planned presentations to the Legislature, and that the Trustees have an
32 opportunity to attend any presentations made on their behalf. The Chair stated, and there were
33 no objections, that any future formal presentations to the Legislature or to an outside interest
34 should be authorized by the Board, and that the Trustees should have the opportunity to attend
35 any such presentations. It was clarified that this was not meant to prevent Trustees from talking
36 to legislators during chance encounters.

37
38 The Chair asked Ms. Kimura if she was aware that Mr. Miyahira had made a presentation to the
39 Legislature and she responded affirmatively. The Chair asked Mr. Morrison if he had
40 participated in a legislative briefing and Mr. Morrison stated that he would defer any response
41 until Mr. Miyahira could be present.

42
43 There was further discussion on potential conflict of interest issues regarding the Trustees.
44 Ms. Lewis requested that Deputy Attorney General Aburano address whether it is possible to
45 separate the role of Director of Budget and Finance from that of trustee when addressing the
46 business of the Trust.

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It was stated that until an administrator is hired, the Trust staff should take their direction from the Board. Additionally, Mr. Williams indicated it was important to determine whether the work product developed by the Budget and Finance project team belongs to the Board. Mr. Uwaine and Mr. Yasuda left the meeting at [~~10:00~~] 9:55 a.m.

- F. 2002 APPROPRIATION REQUEST AND INTERIM BUDGET (Agenda Items III.A.6 & 9)
Ms. W. Kimura reviewed the proposed interim budget, i.e., the handout provided to the Board at the February 5, 2002 meeting.

The assumptions used to prepare the proposed interim budget were:

- Reimbursement of B&F and DHRD staff in FY 02 (7/1/01 – 6/30/02) and three months in FY 03 (7/1/02 – 6/30/03) with the premise that the Board will hire permanent staff starting 7/1/02.
- Interim staff positions (five positions) to be hired were based on the proposed EUTF organizational structure so that it would be possible for the interim employees to make a transition into permanent positions in the EUTF organization effective July 1, 2003.
- There would be an in-house operation where existing Health Fund staff would participate in the transitional open enrollment for July 1, 2003 coverages.
- Changes are to be made to the HFIMS, the Health Fund's data system.
- Health Fund experiences were used to determine estimated expenditures.

DISCUSSION:

The Trustees discussed the need to determine what direction the Board wishes to take in the administration of the trust fund, i.e., a third party administrator, an in-house operation, or a combination of an administrator and third party administrator. The pricing of interim staff in the proposed interim budget was based upon State budget guidelines with the realization that exempt salaries may be different; the Board may set the salary for an exempt position. The Board requested that staff provide salary ranges for the positions identified in the budget.

There was discussion on the appropriation request process. Since there is no appropriation request submitted by the EUTF for this legislative session, the Board must decide on an appropriation amount for a request as soon as possible. Chair Callejo asked staff to find out what the deadline is for appropriation requests.

The Trustees discussed open enrollment costs. Mr. Sanehira, Data Processing System Analyst assigned to the Health Fund, reported that in 1989, the Health Fund handled a mass new enrollment for the new prescription and vision plans (80,000 enrollees). The open enrollment period covered October 17, 1989 through November 17, 1989 with the coverages effective January 1, 1990. Health Fund handled the enrollment by hiring additional data entry personnel. He commented that there are many options that can be explored for a transitional open enrollment under the EUTF.

There was discussion on the funding for changes to the HFIMS and the timeframe needed to accomplish the HFIMS improvements. Clarification was requested as to whether the HFIMS

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1 appropriation under the Health Fund can be used by the EUTF with details on what the
2 appropriation is, whether or not it relates to the EUTF, and how it relates.

3
4 Chair Callejo requested that Mr. Sanehira work with staff to develop a realistic schedule
5 (including an early and a late start date, i.e., the last start date before a deadline is missed), flow
6 chart, and budget based upon the FY 02-03 Health Fund budget tied into the proposed interim
7 EUTF budget. The schedule is to include identification of the areas that need to be completed
8 and the parameters that affect these items; listing steps that must be accomplished and present a
9 report at the February 19, 2002 meeting.

10
11 Trustee Yasuda rejoined the meeting at 10:45 a.m.

12
13 The Trustees discussed the budgeted amount for consultants in more detail. The benefits
14 consultant cost is based upon the assumption of one consultant. The interim budget for an
15 accounting system covers a consultant for a requirements recommendation and funding for the
16 purchase of the software system. The fall back plan to a full accounting system for the trust is to
17 continue with the Health Fund's accounting system and the State's accounting system (FAMIS).

18
19 PUBLIC COMMENTS:

20 C. Khim commented that the proposed budget is optimistic. He stated that the Board may want
21 to have two consultants. He also commented that the proposed budget for furnishings and a
22 telephone system is unrealistic.

23
24 G. Butterfield commented that he assumes Mr. Sanehira will also include in his HFIMS
25 presentation any HIPAA compliance items that will be deferred past the compliance deadline.
26 Mr. Sanehira responded that the Health Fund is proceeding to be compliant by October 2002
27 since there is no guarantee that the deferment request submitted by the Health Fund will be
28 granted.

29
30 M. Higa, MBAH, stated that the original deadlines for the HFIMS phases 1 and 2 had not been
31 met. He stated that many Phase 2 items (included in the request for proposal, RFP) probably
32 have not been completed and a report on the Phase 2 deliverables should be included in
33 Mr. Sanehira's report. Mr. Sanehira will address those issues during his presentation. The
34 Board requested a copy of the RFP for the record.

35
36 M. Morita asked for clarification as to whether Mr. Morrison is a consultant to the Board. Chair
37 responded that Mr. Morrison is a part of the Budget and Finance project team; contracted by
38 Budget and Finance.

39
40 G. Murakami, Royal State, commented that a committee from the Health Fund is needed to
41 interface with the board and coordinate overlapping work such as open enrollment for 7/1/03
42 coverages.

43
44 N. Crowell, HSTA, expressed concern on whether any funding has been budgeted for employing
45 agencies to assume additional enrollment functions. She is especially concerned about the
46 Department of Education (DOE) and wanted to know what is being done to assist the DOE in

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1 preparing for such additional duties. Mr. Sanehira responded that he is unaware as to the status
2 of DOE's computer system upgrade.

3
4 M. Higa, MBAH, commented that there are multiple methodologies to be applied in the budget,
5 i.e., FY 02 uses a general fund method, and FY 03 requires that trust costs are paid by the fund
6 through participant premiums. He further suggested that the Board consider not undertaking
7 major changes to more than one system at the same time, e.g., changes to the HFIMS
8 concurrently with major changes in benefit plans.

9
10 RECESS AT 11:15 a.m.; reconvened at 11:25 a.m.

11
12 G. PROPOSED AMENDMENTS TO CHAPTER 87A, HRS (Agenda Item III.A.7)

13 The Trustees discussed the possibility of amendments that would allow the Board to work more
14 easily; it is not intended to have amendments that change the substance of the law. For example,
15 a possible amendment may be a limited exclusion from the Sunshine Law so that the trustee
16 groups may caucus privately. Another example is an amendment to provide for standing
17 committees. A rumor that amendments to Chapter 87A would not be considered during the
18 current legislative session was discussed. The question of whether amendments to Chapter 87A
19 would be considered during the current legislative session was discussed. Members stated that it
20 may be beneficial to have legislative proposals to indicate the Board's concerns even though
21 there may be no action taken on such proposals by the Legislature. The Chair and Secretary-
22 Treasurer will approach legislators to determine the receptiveness for proposed amendments to
23 Chapter 87A.

24
25 Chair Callejo asked that Mr. Aburano draft a proposed amendment for a limited exclusion from
26 the Sunshine Law. Trustees and staff were asked to review Chapter 87A, HRS, for other
27 potential proposals for discussion as an agenda item for the February 19, 2002 meeting.

28
29 PUBLIC COMMENTS:

30 M. Morita, HSTA, commented that Messrs. Miyahira and Morrison stated at a legislative briefing
31 last week that the union representatives were stalling the Board's progress. Mr. Morita stated
32 that he suggested that the House and Senate labor committee chairs meet with the Trustees to
33 discuss the Board's progress. He also commented that the labor committee chairs were receptive
34 to assisting with administrative changes that would help the trust operate better.

35
36 C. Khim stated that the Board should pursue legislation to add standing committees to its law
37 since it is not addressed in the Sunshine Law. He also supported the idea of a limited exemption
38 from the Sunshine Law for trustee group caucuses.

39
40 H. PROPOSED LEGISLATION AFFECTING THE TRUST (Agenda Item III.A.8)

41 The Board asked staff to develop a list and abstract of bills that amend or replace the trust fund
42 and other bills that affect how the trust does its business. The list should be maintained and
43 updated and include the status of the bills. Mr. Higa provided a copy of his legislative
44 compilation to Chair Callejo which he will share with the staff to help them in their task.

45
46 PUBLIC COMMENTS:

1 C. Khim suggested that the Board convene an investigative committee to review the bills and
2 provide recommendations to the Board. It was discussed that this idea could be considered after
3 the staff had prepared the list and abstract of pending bills.

4 I. HIRING OF AN ADMINISTRATOR/EXECUTIVE DIRECTOR (Agenda Item III.A.10)

5 The Trustees discussed the salary for the administrator position. Ms. Matayoshi described how
6 exempt salaries are handled in her department. When there is no comparable civil service
7 position, the department looks to the current labor market and the determination of the salary is at
8 the discretion of the board. It was acknowledged that a salary is based upon the responsibilities
9 and requirements of the position, therefore information on the administrator's proposed
10 responsibilities and requirements is needed to determine a potential salary range. The Board
11 discussed factors to consider in establishing the salary range, e.g., the salary level needed to
12 provide some parity with private sector executives. It was mentioned that it is important that the
13 Board include in the position description what is expected of the administrator including
14 accountability. There was discussion as to what conceptual approach to use in developing an
15 administrator position, i.e., an administrator of an in-house operation or a coordinator who would
16 work in conjunction with a third party administrator.

17
18 Staff was asked to provide civil service and market salary ranges for the administrator position
19 and minimum requirements for similar positions in the private sector at the February 19, 2002
20 meeting. The Chair requested that an item for decision-making on the use of a third party
21 administrator be added to the February 19, 2002 meeting agenda.

22
23 PUBLIC COMMENTS:

24 M. Higa, MBAH, commented that the Hawaii Employers' Council provides information on
25 salary ranges for positions.

26
27 I. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

28 Next meeting is scheduled for Thursday, February 14, 2002. New Business items from this
29 meeting's agenda will be discussed. The February 19, 2002 meeting will cover the legislative
30 briefing issue, third party administrator discussion, and adoption of the proposed operating
31 procedures.

32
33 J. ADJOURNMENT

34 A motion to adjourn the meeting was made by Ms. Matayoshi and seconded by Mr. Williams.
35 There were no objections; the motion was unanimously passed.

36
37 The meeting was adjourned at 12:05 p.m.

38
39 Respectfully submitted,

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44 _____
45 James Williams, Secretary-Treasurer

46 APPROVED AS AMENDED

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- 1 on March 12, 2002.
2
3 Documents Distributed:
4 1. January 31, 2002 minutes. (10 pages)
5 2. Trustee Uwayne provided a packet of four documents:
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7 • Safeguarding Health Benefits, The Hawaii Employer-Union Health Benefits Trust Fund by
8 State of Hawaii, Department of Budget and Finance, Neal Miyahira, Director. (25 pages)
9 • Employer-Union Trust Plan Design, Active Participant. (7 pages)
10 • The Hawaii Employer-Union Health Benefits Trust Fund, Safeguarding Hawaii's Health
11 Benefits Fact Sheet. (2 pages)