

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, February 22, 2006

TRUSTEES PRESENT

Mr. John Radcliffe, Chairperson	Ms. Elizabeth Ho
Mr. Gerald Machida, Vice-Chairperson	Ms. Marie Laderta
Ms. Katherine Thomason, Secretary-Treasurer	Mr. Mark Recktenwald (arrived 9:23 am)
Mr. Nelson Befitel	

TRUSTEES ABSENT

Mr. George Kahooanohano	Mr. Guy Tajiri
Mr. Stanley Shiraki	

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

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

OTHERS PRESENT

Ms. Lynette Arakawa, HDS	Mr. Eleu Kane, Summerlin
Ms. Sandra Benevides, Kaiser Permanente	Ms. Alice Kotake, HSTA-R
Ms. Alana Deppe-Mariota, Kaiser Permanente	Mr. Paul Matsuo, HGEA-Retiree
Ms. Monica Engle, VSP	Mr. Michael Moss, HMSA
Ms. Elaine Fujiwara, HDS	Ms. Gertrude Nitta, Retiree
Ms. Venus Gabuyo, MBAH	Mr. Rod Tam, HMSA
Mr. Rick Jackson, MDX Hawaii	Mr. George Yamamoto, HGEA- Retiree

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:15 a.m. by Trustee John Radcliffe, Chairperson, in Conference Room 1935, City Financial Tower, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, February 25, 2006.

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for April 22, 2003 and January 25, 2006.

There being no objections by the Trustees, the minutes for April 22, 2003 and January 25, 2006 were approved as circulated.

III. COMMITTEE REPORTS

A. Investigative Committee on Investments

Overview by Trustee Thomason regarding the Investigative Committee on Investments meeting held on February 13, 2006. An informative presentation was

made by ERS consultant, Callan Associates. A critical component recommended by Callan Associates was development of an investment policy. To assist the EUTF in the development of an investment policy, the committee recommends that the Board authorize the Administrator to develop an RFP for consultant services to assist the Board in writing an investment policy for the EUTF. The Administrator also will look for training programs in addition to International Foundation programs to provide in-depth training on investment approaches.

MOTION was made for the Board to authorize the Administrator to develop an RFP for consultant services to assist the Board in writing an investment policy for the EUTF (Thomason/Machida) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

IV. OTHER REPORTS

A. Administrator

1. February Update (see written report)

a. PeopleSoft Support

Ms. Shiroma reported that BST has started working with the EUTF and the first project to complete will be migration of the PeopleSoft/HFIMS to the Regatta platform (see Administrator's report).

b. RFP for Claims Audit

This item will be addressed in Executive Session.

c. RFP for Insurance Broker

Overview by Ms. Tonaki regarding the RFP/RFI for insurance broker (see Administrator's report). Mr. Aburano stated that the Board in 2003 did not issue an RFP but used a more limited competitive procurement because there was a need to get insurance in place quickly and there were not many insurance brokers in Hawaii who would be able to procure the type of insurance needed by the EUTF. [Trustee Recktenwald arrived at 9:23 a.m.] Mr. Aburano summarized the procedures that were done in 2003. Mr. Aburano stated that the EUTF is not required to do anything different in the current procurement because the procurement of insurance broker services is exempt. Mr. Williams added that in the initial procurement, the brokers actually came in with proposals for insurance coverage. The Administrator is recommending that the Board authorize using a similar limited procurement for an insurance broker.

MOTION was made for the Board to approve revising the authorization previously made to authorize the staff to prepare recommendations for procurement of an insurance broker. (Machida/Thomason) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

d. Implementation of HSTA VEBA

Overview by Mr. Williams regarding the implementation of HSTA VEBA (see Administrator's report). Mr. Williams wanted the Board to be aware that the EUTF staff lost considerable time in the processing of regular enrollments because HSTA and Budget and Finance (B&F) were in discussions related to their agreements regarding administration of the VEBA which was last minute and could have taken place earlier. As a result, the termination program that the EUTF had intended to run on February 15, 2006 was delayed until Friday, over the weekend, and Tuesday. Reasons for the delay, as mentioned earlier: (1) that B&F requested the EUTF to hold because they were not willing to vouch that they would agree to a March 1, 2006 start date; and (2) a better computer system, such as has been requested by the EUTF staff, would have been able to handle the HSTA VEBA last minute transition work without delaying regular enrollment processing. The combination of the last minute HSTA VEBA work plus the limitations of the EUTF's current computer system put the EUTF behind in its work and will require further overtime.

Overview by Mr. Williams regarding a draft MOU between EUTF and the Department of Budget and Finance that was distributed to the Trustees. Mr. Williams requested that the Trustees review the draft MOU and provide any comments, suggestions, and/or concerns.

e. EUTF Facilities – Leasing & Renovation of Additional Space

Overview by Mr. Lawrence Nishihara regarding the EUTF facilities (see Administrator's report).

f. Proposed Legislation – Bills Relating to EUTF and Health Benefits

Overview by Mr. Williams regarding proposed legislation (see summaries for House and Senate). Discussion held by Trustees and staff regarding bills relating to EUTF and health benefits.

There being no objections by the Trustees, positions on the following bills were approved as recommended: SB2272/HB2309, SB2416/HB2514, SB2640/HB2950, SB2925/HB2854, SB3009SD1/HB2700, SB3020/HB3260, SB2082, SB2659/HB2670, SB2678, SB3210/HB3128, SB3230, HB0210, HB2546, HB3089.

There being no objections by the Trustees, positions on the following bills were approved as amended: SB2021 – add “as long as the EUTF provides coverage”; SB2207/HB2559 – no position by the Board; SB2641/HB2559/SB2207 – no position by the Board.

MOTION was made for the Board to approve the recommendation of the Administrator as amended. (Thomason/Recktenwald) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

- g. Administrative Rules – Proposed Amendments
Overview by Mr. Williams regarding the proposed amendments to the Administrative Rules (see Administrator’s report).

Recessed at 10:24 a.m. and Reconvened at 10:28 a.m.

B. DEPUTY ATTORNEY GENERAL

1. O’Gorek Lawsuit

Mr. Aburano reported that he received a copy of the order for dismissal and will forward a copy to the EUTF.

C. BENEFITS CONSULTANT

Administrative Fees

Mr. Garner stated that the Board approved the administrative fees at the last Board meeting and wanted to clarify that the administrative fees were calculated a week or two before the meeting and at that time they used the total enrollment figures because at that time there was no effective date for the establishment of the HSTA VEBA. With the HSTA VEBA, the EUTF will be short on the administrative fees of approximately \$40,000.00 a month. Mr. Garner does not see that as a big problem for the following reasons: (1) last year the EUTF collected more in administrative fees than projected because of increases in total enrollment; and (2) the Trust has reserves of over \$40 million which can be used for the budget that has been approved by the legislature. Should there be another employee organization that withdraws, especially UPW or HGEA that would create a substantial shortfall in the administrative fees and would be an issue to discuss at that time. Chair Radcliffe clarified that if some other organization establishes a VEBA that would have an effect on the EUTF’s administrative fees; however, the EUTF needs to get the open enrollment materials out now and has to use the current administrative fee information.

Plan Designs

Mr. Garner inquired if the Board would like to discuss plan design issues at the next Board meeting or refer those issues to the Benefits Committee. By consensus of the Trustees, the full Board will discuss the plan design issues.

February Report

1. Financial Reports

Overview by Mr. Garner regarding the financial report (see reports).

2. Enrollment Report

Overview by Mr. Garner regarding the enrollment in each of the plans during

December 2005 (see enrollment report). Mr. Garner stated that, based on the emerging experience, a premium holiday may be possible next year.

3. Performance Standards

Mr. Garner reported that all the carriers met all of the performance standards during the period October through December.

4. Self-Funding

Mr. Garner reviewed the amount of reserves recommended for self-funding and the projections of the level of reserves likely to be available as of July 1, 2007 (see exhibits).

5. Annual Report

A final version of the annual report was distributed to the Trustees and public. Overview by Mr. Garner regarding changes to the annual report (see annual report). A replacement for page 86 was e-mailed to the EUTF today and will be given to the Trustees when received. Mr. Garner will provide an unbound copy to the EUTF to distribute copies to the legislature.

D. Financial Report as of December 31, 2005

Overview by Ms. Tonaki regarding the financial report as of December 31, 2005 (see written reports). Ms. Tonaki reported that cash flow decreased due to premium holiday and amounts budgeted for interest is also included in the report.

E. Carrier's Reports

1. HDS

Written report submitted. Ms. Arakawa reported that Norman Mendez retired and Kevin Fong has joined HDS. February is HDS health month for children and is sponsoring the 2nd Annual Tooth Fairy Fun Day at the Hawaii Children's Discovery Center this Sunday.

2. HMSA

Written report submitted. Mr. Tam reported that there are no benefit changes but HMSA is working with Garner Consulting to identify internal language changes. An administrative change will require certification for imaging type services that are high cost and high utilization. HMSA is implementing a plan scheduled for July 1st, using an outside vendor to do certification. The benefits have not changed, it is still 90%, and the difference is that the participating provider will need to get that service certified before the service is done. A trial period will be provided for the providers starting in April. The idea is to get the appropriate type of imaging for each service. HMSA has found that providers have used more expensive forms of imaging that may not be appropriate, when less expensive forms of imaging produce the same results. Mr. Tam summarized HMSA's Health Pass and reported that HMSA is taking it to different buildings. In March, Health Pass will be held in this building (City Financial Tower).

3. Kaiser Permanente
Written report submitted.
4. MBAH
Written report submitted.
5. Royal State Insurance
Written report submitted.
6. VSP
Written report submitted. Ms. Engle reported that VSP was named the “Highest in Overall Member Satisfaction Among National Vision Plans” for the second consecutive year by J.D. Powers and Associates.

V. UNFINISHED BUSINESS: None

VI. NEW BUSINESS

- A. RFP for Claims Audit
This item will be addressed in Executive Session.
- B. Proposed Legislation
This item was acted upon under the Administrator’s report.
- C. Memorandum of Understanding, EUTF & Budget and Finance
This item was discussed under the Administrator’s report.
- D. Insurance Broker Procurement
This item was acted upon under the Administrator’s report.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

Mr. George Yamamoto commented on the time factor for certification.

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Board meeting is scheduled for Wednesday, March 22, 2006, 9:00 a.m., CFT-room 1935.

Board meeting scheduled for May 24, 2006 has been changed to Wednesday, May 10, 2006, 9:00 a.m., CFT-room 1935.

Board meeting scheduled for June 28, 2006 has been changed to Thursday, June 15, 2006, 9:00 a.m., CFT-room 1935.

IX. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 10:57 a.m. for the reasons stated on the agenda. (Thomason/Laderta) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

MOTION was made to move out of Executive Session at 11:06 a.m.
(Recktenwald/Laderta) The motion passed unanimously. (Employer Trustees-
4/Employee-Beneficiary Trustees-3)

The chair reported that the Board has taken the following actions in Executive Session:

1. Approval of January 25, 2005 Executive Session minutes as circulated.
2. Reviewed sections of a draft RFP for Claims Audit.

X. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 11:07 a.m.

Respectfully submitted,

/s/

Katherine Thomason, Secretary-Treasurer

APPROVED on March 22, 2006.

Documents Distributed:

1. Draft Minutes for April 22, 2003. (10 pages)
2. Draft Minutes for January 25, 2006. (9 pages)
3. Memorandum to BOT from Administrator regarding February Administrator Report dated 2/14/06. (2 pages)
4. Memorandum to BOT from Administrator regarding SB2207, SB2641, HB2449 dated 2/21/06. (1 page)
5. House Bills Affecting EUTF – 2006. (7 pages)
6. Senate Bills Affecting EUTF – 2006. (9 pages)
7. Letter to BOT from Garner Consulting regarding Benefit Consultant Report dated 2/13/06. (2 pages)
8. EUTF Claims Experience Summary for the 2005-2006 Plan Year Six Months Ended 12/31/05-Estimated dated 2/9/06. (1 page)
9. Active Employees Paid Surplus (Loss) at 12/31/05 dated 2/9/06. (1 page)
10. Retired Employees Surplus (Loss) at 12/31/05 dated 2/9/06. (1 page)
11. EUTF 2005 Plan Year Reserves versus Actual Run-Out Claims Through 12/31/05 dated 2/9/06. (1 page)
12. Active Employees and Retiree Enrollment Count dated 2/9/06. (2 pages)
13. HDS - EUTF Financial Report by Bargaining Unit For 7/1/05-12/31/05. (1 page)
14. HMSA - EUTF Financial Report by Bargaining Unit for 7/1/05-12/31/05. (4 pages)
15. VSP – EUTF Financial Report by Bargaining Unit for 7/1/05-12/31/05. (1 page)
16. EUTF Estimates of Reserves Needed for Self-Funding dated 2/10/06. (1 page)

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

February 22, 2006 Minutes

PAGE 8

17. EUTF Estimate of Reserves on 7/1/2007 dated 2/10/06. (1 page)
18. Garner Consulting's Annual Report to the EUTF dated 2/17/06. (119 pages)
19. EUTF Statement of Net Assets (Unaudited) dated 2/6/06. (1 page)
20. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 6 Months Ended 12/31/05 (Unaudited) dated 2/6/06. (1 page)
21. EUTF Statement of Cash Flows 6 Months Ended 12/31/05 (Unaudited) dated 2/3/06. (1 page)
22. Approved Minutes for June 16, 2003. (5 pages)
23. Approved Minutes for October 25, 2005. (9 pages)
24. Approved Minutes for November 30, 2005. (14 pages)