

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, February 23, 2011

TRUSTEES PRESENT

Mr. Dean Hirata, Chairperson	Ms. Karolyn Mossman
Ms. Loretta Fuddy, Vice-Chairperson	Ms. Celeste Nip
Ms. Audrey Hidano	Ms. Sunshine Topping
Mr. Derek Mizuno	

TRUSTEES ABSENT

Mr. George Kahooanohano, Secretary-Treasurer
Mr. Everett Kaneshige

ATTORNEY

Ms. Diane Erickson, Deputy Attorney General

EUTF STAFF

Ms. Barbara Coriell, Administrator	Mr. Tom Morrison, Consultant
Ms. Sandi Yahiro, Assistant Administrator	Mr. Robert Mitchell, Consultant
Ms. Maria Quartero	Ms. Donna Tonaki
Ms. Kathleen Shiroma	Ms. Nicole Wong

OTHERS PRESENT

Ms. Lynette Arakawa, HDS	Ms. Mae Kishimoto, HSTA-R
Ms. Nikki Bassett, informedRx	Ms. Doreen Kuroda, DHRD
Ms. Sandra Benevides, Kaiser Permanente	Mr. Blaise Liu, Royal State
Mr. Jack Borja, HMA	Mr. Michael Moss, Kaiser Permanente
Mr. Greg Buscetto, informedRx	Mr. Harris Nakamoto, HMA
Ms. Monica Engle, VSP	Ms. Lori Naylor, HMA
Mr. Christian Fern, HMSA	Mr. Devon Nekoba, Restat
Ms. Elaine Fujiwara, HDS	Mr. Lawrence Nishihara, Akamai Benefit
Mr. Mark Fukuhara, Akamai Benefits	Ms. Miri Yi, Mina Corporation
Ms. Susan Goya, HGEA-R	Mr. JP Schmidt, HMA
Ms. Wendy Hamada, HMA	Ms. Jody Serikawa, C&C
Ms. Fran Kagawa, HGEA-R	Mr. Bruce Smith, VSP
Ms. Bonny Kahalewai, Standard Insurance	Mr. Phil Takaba, HMSA
Mr. Jack Katahira, HGEA-R	Mr. Vaughn Tokashiki, HSTA-R
Ms. Ruth Kim, HSTA-R	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:07 a.m. by Trustee Dean Hirata, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, February 23, 2011.

II. APPROVAL OF MINUTES

The minutes of January 26, 2011 were reviewed by the Trustees. Discussion held by Trustees to amend minutes to include inquiry for the procedures of approving minutes and information regarding the hiring of an auditor.

MOTION was made for the Board to approve the minutes of January 26, 2011 as amended. (Hidano/Nip) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

III. ELECTION OF NEW CHAIRPERSON AND VICE-CHAIRPERSON

Trustee Dean Hirata was nominated for Chairperson. (Hidano)

MOTION was made to close nomination. (Hidano/Fuddy) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

Trustee Dean Hirata was elected Chairperson by virtue of being the only trustee nominated for that position.

Trustee Loretta Fuddy was nominated for Vice-chairperson. (Hirata)

MOTION was made to close nomination. (Topping/Hirata) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

Trustee Loretta Fuddy was elected Vice-chairperson by virtue of being the only trustee nominated for that position.

IV. REVIEW AND ELECTION OF BOARD COMMITTEES

Overview by Ms. Barbara Coriell regarding the functions of the Board's previous three committees (Administrative, Benefits and Investments). The Administrator will send a memorandum to Trustees by e-mail with more details including an estimate of when committees may meet, the time involved and ask which committees would apply to the Trustee's interest. Discussion held by Trustees, staff and deputy attorney general regarding Chairperson's for each committee, expanding committees beyond membership of Board, and if committee meetings are subject to the sunshine law. Ms. Diane Erickson stated if it is a standing committee the meeting is subject to the sunshine law. If it is an investigative committee, the meeting is not subject to the sunshine law. In a conversation with the Office of Information Practices, Ms. Erickson stated the best way to expand beyond the membership is to have an investigative committee. The Board would not be able to expand membership for standing committees. The deputy attorney will review if Trustees are able to attend other committee meetings if they are not on that committee. There being no objections by the Trustees, Trustees will submit which two or three committees they would like to serve on.

V. REPORTS

A. Administrator

Ms. Coriell thanked HMA, HMSA, and Kaiser for providing volunteers to assist with the processing of enrollments from open enrollment. HDS and VSP were not contacted since enrollment was primarily for the medical plans. Discussion held by

Trustees and staff regarding Trustee's concerns that volunteers have access to personal health information (PHI) from other vendors that may be exposed and coverage if a volunteer got hurt on the job, and if the documents processed by carriers were for backlogs. Ms. Coriell stated that HIPAA security training was provided for volunteers. Ms. Coriell confirmed that assistance provided by carriers was for current open enrollments and not for backlogs.

B. Assistant Administrator

1. Follow-up Items from January 26, 2011 Meeting

Ms. Sandi Yahiro stated that a memorandum regarding follow-up items from last Board meeting were e-mailed earlier and hard copies were in the Trustees Board packet.

Trustee Mossman stated she requested a comparison between the HMA and HMSA VEBA plans and the follow-up report says it has not been completed. Trustee Mossman asked how a decision could be derived if a comparison was not completed. Ms. Yahiro explained that when she negotiated with the various carriers, they were told that they would have to mirror the benefits offered under the HSTA VEBA funds and that the contract that will be executed will mirror the benefits. It is just preparing the written comparison that is being requested. Discussion held by Trustees and staff regarding when the comparison will be completed. Ms. Yahiro stated that the comparison will be completed by the next Board meeting.

Discussion held by Trustees and staff regarding item 5, description of the financial statement categories, of the follow-up items. Ms. Tonaki stated that descriptions are included on the Financial Report as December 31, 2010. Chair Hirata stated that this item can be discussed under the financial report.

2. Custody Bank Contract

Ms. Yahiro reported that the EUTF should have a signed contract within the next week.

3. Investment Consultant

Ms. Yahiro reported that since only one proposal was submitted there are two alternative methods to proceed with the RFP that needs SPO's approval. The EUTF submitted a request for "Use of Alternative Procurement Method" and is awaiting SPO's approval. Discussion held by Trustees, staff and benefits consultant regarding what would be reasons for receiving only one proposal, how many proposals were received from the past RFP, benchmarks that are needed due to receiving only one proposal, and the amount that was currently paid to Investment Consultant. Ms. Diane Erickson advised the Board to limit discussion because this item is pending. Discussion held by Trustees and staff regarding the Custody Bank contract. Ms. Erickson advised the Board that since the Custody

Bank contract is not fully executed, the Board may go into Executive Session to discuss and information may then be disclosed to the Board.

C. Financial Report as of December 31, 2010

Overview by Ms. Donna Tonaki regarding the Statement of Net Assets. Discussion held by Trustees, staff and benefits consultant regarding line item 10-self funded reserves, line items 2 and 3-General/Short-term investments and determining how much cash should be kept or invested, if the EUTF has an investment policy and any other policies of the EUTF, the history of the past contract with the Investment Consultant, and clarification of line items 5 and 12- Receivable from State of Hawaii and Counties/Due from State of Hawaii and counties. The EUTF staff will provide all policies of the EUTF to the Trustees before the next Board meeting. Ms. Tonaki will change titles of line items 5 and 12- Receivable from State of Hawaii and Counties/Due from State of Hawaii and counties. Ms. Tonaki continued her overview of the financial reports for the Combined Statement of Revenue and Expenses and the Statement of Cash Flows.

The Experience Accounting of Self-Funded Plans for FYE 6/30/2011 were distributed to the Trustees. Discussion held by Trustees, staff and benefits consultant regarding as it was previously reported that the Board will see similar patterns from month to month, should the Board be concerned and why the actives are in the negative. Mr. Morrison stated it is the timing of the rate increase. The revenues will increase when the rate increases March 1, 2011 and the negative will change to positive. It is the timing of the period. The period starts in a positive position; ends in a negative position and then the next rate increase takes place March 1, 2011. Mr. Morrison stated that self insured plans are not fully independently rated and in some cases not self sustained. It is the intention of the EUTF staff and the benefits consultant in the next six months process to establish rates and claim designs that are self supporting rather than borrow from other plans to sustain them. Discussion held by Trustees, staff and benefits consultant regarding reviewing all data in the plans through the RFP and that surpluses stays with the EUTF. Chair Hirata stated it would be helpful for the Board to see the results of FY ended 2010 and December 2010. Mr. Morrison stated that they will get the historical data prepared by the carriers and will have a projection at the next Board meeting.

D. Consultant's Report

A. Updated IBNR Calculation

Overview by Mr. Morrison regarding the updated Incurred but Not Reported (IBNR) Calculation (see memo dated 2/23/11). Mr. Morrison stated he made a statement that the Trustees have the sole discretion as to whether or not they fund or not fund, however; it is the auditor that has the discretion to say it is your liability and you should have the money in the bank. The semantic difference is whether the Board sequesters the funds. If you go back to Ms. Tonaki's presentation on the \$144 million which is OPEB, that is an item that is earmarked

to be set aside for this and will be invested as such. Segal's recommendation to the Board is that they treat the IBNR exactly the same way. In future financial reports, it will not be shown as an asset but a liability and a reserve to cover the liability. Segal thinks that is the prudent and acceptable thing to do. You still issue the same account balances but it is how you earmark the funds to dedicate it to a specific purpose. Discussion held by Trustees and benefits consultant regarding what would be the downside of doing it and why it was not done before. Mr. Morrison stated that the downside is that without the established reserve you appear to have money unallocated that could be used for other reasons but if you earmark it you no longer say you could spend this money. It may not be viewed as prudent business practice in not earmarking these funds. Discussion held by Trustees and benefits consultant regarding if it is done to keep the costs/premiums down for members. Ms. Coriell explained that the biggest difference is as long as it shows up as cash then the discussion is why this plan is sitting on \$61 million worth of cash and still wants a rate increase. You really are not sitting on \$61 million worth of cash because you have this \$44 million liability. It truly clarifies the cash situation and eliminates the confusion of exactly what the available plan surplus is. Discussion held by Trustees regarding why this was not done before. Ms. Coriell stated it was the decision of the past Board. Discussion held by Trustees, staff and benefits consultant regarding if the EUTF is in a financial situation that would not affect the day to day operations to do this now. Ms. Coriell stated we are moving the money from the cash category and moving it to a line item that would be an IBNR reserve. It would then be clear to everyone what those funds are. Mr. Morrison stated when an Investment Consultant is hired they could look at the demand of the IBNR in a different way than they would on the general account and look at a longer term investment horizon. As long as the self-insured plans continue, a call on that money would not be immediate; therefore the Board might be able to enhance the investment return on the IBNR to offset future inflation. Investment has a sole purpose in a health plan of offsetting future medical inflation.

MOTION was made for the Board to approve the projected IBNR as of 6/30/2011 of \$44,340,200 as recommended by Segal and to set up a specific IBNR reserve in the financial report. (Mossman/Hidano) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

VI. EXTENSION OF EUTF ACTIVE & RETIREE HEALTH PLANS SELF-FUNDED PLANS FROM JULY 1, 2011

A. New Rates for the Time Period to be Effective July 1, 2011

Mr. Morrison reported that all active benefits plan contracts and rates expire June 30, 2011. Segal and the EUTF are seeking the Board's direction to extend the active benefits plan contracts for six (6) months within the guidelines of procurement so that an RFP can be issued and evaluated by the Board and new contracts issued

effective January 1, 2012. The rates will be presented later on the agenda. Discussion held by Trustees, staff and benefits consultant regarding terminating the contract with informedRx sooner than January 1, 2012, the risks that the EUTF will encounter if an RFP is expedited, high amount of complaints about informedRx services, and an RFP sooner rather than later would give the opportunity to see if there are better carriers out there. Mr. Morrison suggested if the extensions were on a month to month basis, it would give the Board flexibility to terminate at any time which the Board does have the ability to terminate the contract. The EUTF could look into setting up specific information for members that are having problems with the drug plan and are not getting a timely response from informedRx to contact a specific person at the EUTF. These issues would be addressed so people would know that they are taken care of then it would give the EUTF time to work on the RFP process.

MOTION was made for the Board to approve to extend the contract for informedRx to September 30, 2011. (Mizuno/Mossman)

Further discussion held by the Trustees, staff and benefits consultant regarding if there would have to be separate open enrollments if informedRx has a different extension date, concerns if the EUTF changes the drug carrier, what the issues are with informedRx which are being addressed, and the timeline for an RFP. Mr. Morrison stated that the timeline for the RFP will be presented in Executive Session.

MOTION was made for the Board to table the motion to extend the contract for informedRx to September 30, 2011. (Mizuno/Mossman) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

Overview by Mr. Morrison regarding the self-funded rates (see memorandum dated 2/23/11). Discussion held by Trustees, staff and benefits consultant regarding the prescription drug rate increase of 2% and that the Trustees have the option of using the surplus in the medical plan to offset the increase.

MOTION was made for the Board to approve the extension of the HMSA and HMA self-insured rates in effect as of March 1, 2011 for the time period July 1, 2011 through December 31, 2011 for active employees as recommended by Segal. (Mossman/Fuddy) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

VII. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 10:34 a.m. for the reasons stated on the agenda. (Topping/Nip) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

Executive Session adjourned at 11:02 a.m.

The Board has taken the following actions in Executive Session:

1. Motion to extend informedRx contract to September 30, 2011 (Failed).
2. Motion to extend all contracts for six (6) months from July 1, 2011 to December 31, 2011 with the intention for a three (3) month revisit if issues arise (Approved).

There being no objections by the Trustees, the remaining items on the agenda are deferred until the next Board meeting.

- VIII. HEALTH CARE REFORM ACT'S IMPACT ON THE PLANS TO BE EFFECTIVE JULY 1, 2011
 - A. Grandfather Status
 - B. Applicability of Health Care Reform Act to Active & Retiree Plans
 - C. Mandated Plan Coverage
 1. Prescription Drug as a Stand Alone Plan Option
 2. EUTF Supplemental Plans – HMSA & Royal State
 3. EUTF Supplemental Plan created for former HSTA VEBA members
 - D. Mandated Eligibility Changes – Dependent Children to Age 26 for Medical & Rx Plans (not applicable to dental & vision)
 - E. Estimated Cost Impact of Health Reform Changes
 - F. Health Care Reform Impact on Open Enrollment April 11, 2011 – May 13, 2011
- IX. EARLY RETIREE REINSURANCE PROGRAM STATUS UPDATE
- X. CURRENT SESSION LEGISLATION PERTAINING TO THE EUTF
- XI. OLD BUSINESS
 - A. Informed Rx Concerns
- XII. CARRIER REPORTS
 1. HDS
 2. HMSA
 3. HMA
 4. Kaiser
 5. informedRx (NMHC)
 6. Royal State Insurance
 7. Standard Insurance
 8. VSP
- XIII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

XIV. FUTURE AGENDA ITEMS AND NEXT MEETING DATE
A. March 30, 2011 – Regular Board Meeting

XV. ADJOURNMENT

Due to lack of quorum, the meeting adjourned at 11:02 a.m.

Respectfully submitted,

/s/

George Kahooanohano, Secretary-Treasurer

APPROVED on March 17, 2011 as amended.

Documents Distributed:

1. Draft Board Minutes for 1/26/11. (9 pages)
2. Memorandum to BOT from Assistant Administrator Regarding Follow-up Items from 1/26/11 Meeting dated 2/16/11. (2 pages)
3. Memorandum to BOT from Segal Regarding Updated IBNR Calculation dated 2/23/11. (1 page)
4. Memorandum to BOT from Segal Regarding HMSA & HMA Rates dated 2/23/11. (3 pages)
5. EUTF Statement of Net Assets (Unaudited) dated 2/11/11. (1 page)
6. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 6 Months Ended 12/21/10 (Unaudited) dated 2/10/11. (1 page)
7. EUTF Statement of Cash Flows 6 Months Ended 12/31/10 (Unaudited) dated 2/10/11. (1 page)
8. Experience Accounting of Self-Funded Plans for FYE 6/30/2011. (7 pages)