

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Minutes of the Board of Trustees

Wednesday, March 17, 2004

TRUSTEES PRESENT

Mr. Will Miyake, Chairperson

Ms. Joan Lewis, Vice-Chairperson

Mr. Bob Awana, Secretary-Treasurer (arrived at 8:09 am)

Mr. Harold DeCosta

Mr. Gerald Machida

Mr. Dayton Nakanelua

Mr. John Radcliffe

Mr. Mark Recktenwald (left at 12:29 am)

Ms. Kathleen Watanabe

TRUSTEES ABSENT

Mr. Dayton Nakanelua

Ms. Katherine Thomason

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. H. Mark Fukuhara, Administrator

Ms. Maria Quartero

Ms. Kathleen Shiroma

Mr. John Garner, Consultant

Ms. Gerti Reagan, Consultant

Ms. Donna Tonaki

OTHERS PRESENT

Ms. Charlene Acohido, HSTA-MBC

Ms. Lynette Arakawa, HDS

Mr. Tracy Ban, B&F

Ms. Alana Deppe-Mariota, Kaiser Permanente

Ms. Monica Engle, VSP

Ms. Elaine Fujiwara, HDS

Ms. Venus Gabuyo, MBAH

Mr. Rick Jackson, MDX Hawaii

Ms. Doreen Kuroda, DHRD

Mr. Maurice Morita, HSTA

Ms. Sarah Moriyama, ORTA

Mr. Michael Moss, HMSA

Ms. Gertrude Nitta, HGEA-R

Mr. Peter Rodriguez, Hartford

Mr. Rod Shinno, HSTA-MBC

Mr. Rod Tam, HMSA

Mr. Justin Wong, HSTA-R

Mr. George Yamamoto, HGEA-Retirees

Ms. Lilia Yu Lum, Royal State

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:07 a.m. by Trustee Will Miyake, Chairperson, in Conference Room 405, Leiopapa A Kamehameha Building, 235 South Beretania Street, Honolulu, Hawaii, on March 17, 2004.

II. APPROVAL OF MINUTES: None

III. COMMITTEE REPORTS

A. ADMINISTRATIVE COMMITTEE

1. Open Enrollment

Overview by Trustee Recktenwald regarding open enrollment.

2. Staffing Plan Update

Three temporary customer service representative positions are in the process of being filled. The EUTF is making some job title changes. Redescriptions of some positions are being made and the employer will need to consult HGEA in which the staff will work with Budget and Finance and DHRD in preparation for the consultation. All but one staff vacancy is filled.

3. Proposal for HIPAA Services

The EUTF needs to comply with the HIPAA Security Rule by April 2005. Proposed package of items that need to be done: (1) a gap analysis of the current system and procedures to determine work that needs to be done; (2) develop a procedure manual; (3) provide training; and (4) extend a period of monitoring to ensure that the EUTF is in compliance. Under this proposal, the rate procured earlier with Garner Consulting for the full package will not exceed \$155,000.

MOTION was made upon the recommendation of the Administrative Committee for the Board to retain Garner Consulting to provide the full package for the entire scope of work that was set forth in the letter of March 11, 2004. The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

4. RFP for PeopleSoft

Overview by Trustee Recktenwald regarding the PeopleSoft upgrade from version 7.5 to version 8. The upgrade that needs to be done is complex and consultant services are needed to advise and assist the EUTF staff in drafting an RFP. The Administrative Committee recommended that the EUTF staff check with DAGS/ICSD to see if this could be done using government resources at no expense to the Trust Fund and report back to the Board if that is not possible. Mr. Aburano stated that after discussion with Ms. Shiroma regarding the detail of the RFP, this procurement appeared to be for professional advice that under HRS §87A-24(7) falls outside of HRS Chapter 103D. Mr. Aburano stated that there are a number of different ways to proceed for the actual obtaining of the services. Mr. Fukuhara did speak to Mr. Lester Nakamura of ICSD who was not aware of ICSD assisting any department going through an upgrade of PeopleSoft and that he was concerned that they did not have the expertise to assist but reserved the opportunity to speak to the ICSD management staff. Mr. Fukuhara recommends that the Board approve the hiring of Gartner Consulting for the required consultant services. The estimated cost is \$50,000. Discussion held by Trustees and staff regarding procurement of vendors, competitive bidding, and interfacing PeopleSoft with other State departments.

MOTION was made for the Board to approve the EUTF obtaining consultant services to advise and assist the EUTF in drafting an RFP for the PeopleSoft upgrade from version 7.5 to version 8 by selecting three vendors for competitive bidding subject to confirmation with ICSD if they have the expertise to be able to provide these services.

(Recktenwald/Radcliffe) After discussion by Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

5. PeopleSoft Enhancement

Overview by Trustee Recktenwald regarding the PeopleSoft enhancement. Discussion held by Trustees and staff regarding the PeopleSoft upgrade and PeopleSoft enhancements of the system that will make the EUTF system suitable and efficient (as was discussed in prior Board meetings). Ms. Shiroma explained that the EUTF will do further research on enhancements that may be included in the PeopleSoft upgrade or the possibility of purchasing additional modules.

MOTION was made upon the recommendation of the Administrative Committee for the Board to approve for the EUTF to make an assessment for PeopleSoft enhancements subject to confirmation with ICSD if they have the expertise to be able/or not able to provide these services. (Recktenwald/Radcliffe) After discussion by Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

6. Administrative Rules – Contribution Shortages

Overview by Trustee Recktenwald regarding the proposed change in Administrative Rules regarding the status of beneficiaries who do not pay premiums in a timely matter. The EUTF went out for consultation and received a request from the Governor's office for additional time. A number of responses were received before the deadline. The Administrative Committee recommended an extension of the response deadline for comments to March 29, 2004. This will also allow EUTF staff time to review the comments received.

There being no objections by the Trustees, the recommendation of the Administrative Committee is approved for the extension of the response deadline for comments to March 29, 2004.

7. Annual Audit for Period Ended June 2004

Trustee Recktenwald reported that the Administrative Committee accepted the recommendation of the EUTF staff to work with DAGS to assist the EUTF staff with the hiring of an auditor for the upcoming 3-year period. DAGS has a selection process, which involves a 5-person selection committee that would include a EUTF representative.

8. 2004 Refund Project Methodology

Overview by Trustee Recktenwald regarding the surplus. The PEHF books will be closed at the end of June 2004. The Board will review the schedule and proposals for the methodology at a later date.

9. Aetna

Trustee Recktenwald reported that Aetna has concerns about accessing data from the State's web portal (Hawaii Information Consortium "HIC"), i.e., that they can be held liable if they take and utilize information from the State's web portal and there is an

error in it. Aetna requested a hold harmless agreement from HIC, that HIC denied. After speaking to Mr. Aburano, the Administrative Committee is not inclined to recommend having a hold harmless agreement at this time. Mr. Aburano will review Aetna's contract to determine what relevant provisions are there that may affect the obligation of Aetna to work with the State's system, if there is a dispute resolution mechanism for the EUTF to consider utilizing, and will report back to the Board next month. The EUTF staff recommended for Aetna to use an interim system, which the Administrative Committee has requested that the EUTF not do. Discussion held by Trustees regarding the HIC. The Administrator spoke to Mr. Reed from Aetna who will resolve this issue by the next Board meeting. Further discussion held by the Trustees regarding Aetna's compliance and contract.

10. Act 101

Overview by Mr. Recktenwald regarding how to calculate the employer/employee contributions to be made for retiree health benefits. He stated that Mr. Aburano has recommended that the calculations should be done by picking the highest actual premium rate for each of the categories. In all categories it would be HMSA except for retirees in the medical-family plan, where Kaiser has the highest premium. Based on Mr. Aburano's opinion, it is the recommendation of the Administrative Committee that this is the manner in which to proceed. Mr. Aburano stated that this is for the adjusted base monthly contribution, the maximum contributions to be made for all retirees, for the years beginning July 1, 2005. Mr. Fukuhara clarified that it also affects 700 retirees that pay 50% of the premium.

B. BENEFITS COMMITTEE: None

IV. OTHER REPORTS

A. ADMINISTRATOR

March 2004 Administrator's Update/Report (see written report)

1. Final Audit of the PEHF

Overview by Mr. Fukuhara regarding changing the date of the final audit of the PEHF.

MOTION was made for the Board to authorize the change of the final audit of the PEHF to June 30, 2004. (Radcliffe/Awana) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

2. Reference Guides (see active/retiree booklets)

3. Legislation – Status of Bills

Overview by Mr. Fukuhara regarding the status of bills (see written report). Discussion held by Trustees and staff regarding SB 762 and part-time casual employees.

MOTION was made for the Board to authorize the Administrator to provide comments and concerns to the legislature on the administrative difficulties of the EUTF regarding the implementation of SB 762, that would be effective July 1, 2004, and for the EUTF

not to take a position on that bill (Lewis/Watanabe) After discussion by Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

4. Medicare Part B

Mr. Fukuhara reported that checks will be issued on March 31, 2004.

5. Appeal - Adoption

Overview by Mr. Aburano regarding an adoption appeal. Mr. Aburano stated that as a matter of policy the EUTF has tried to follow all mandates in the State's statutes regarding insured plans, HMO plans, and mutual benefit society plans. Consistent with this, the Board should adopt the procedure regarding coverage for adopted children that is called for in the State's insurance code. In this case, this would mean providing coverage to this child back to the date of the child's birth and to provide similar coverage in the future to all adopted children.

MOTION was made for the Board to adopt the policy of covering children to be adopted or adopted as stated in the State's insurance code prospectively and that the EUTF staff be directed to draft a formal rule amendment to put it into affect. (Radcliffe/Lewis) After discussion by Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

Trustee Radcliffe stated that the EUTF will not be responsible for paying any of this appellants' fees. Trustee Recktenwald disclosed that the State's insurance code falls under his department.

6. Appeal - Teacher

Overview by Mr. Fukuhara of the appeal by a teacher regarding submitting paperwork in 30 days. Discussion held by Trustees regarding waiving benefits retroactively, procedures for a new hire teacher, and DOE's/SASAs'/teachers' responsibilities for following EUTF procedures. Mr. Aburano explained the ability of the Board to waive EUTF rule provisions under Administrative Rule 1.12 and stated that in reviewing the letters and materials regarding this appeal there is a showing of good cause. Comment made by Mr. George Yamamoto that the responsibility falls directly under the principal. Further discussion held by the Trustees regarding the effective date for the waiver

MOTION was made for the Board to authorize this employee's coverage under Administrative Rule 1.12 effective immediately and for the deputy attorney general to draft a letter to the Principal/SASA that the EUTF has made an exception for this employee and as a reminder they should make a greater effort to make sure that the employees are aware of their obligations to follow EUTF procedures. (Radcliffe/Awana) After discussion by Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

Recessed at 11:02 a.m. and Reconvened at 11:35 a.m.

B. DEPUTY ATTORNEY GENERAL

1. Attorney for Domestic Partner - Tax Information

Mr. Aburano reported that the Attorney General approved the request for a special deputy in tax matters to assist the EUTF to review its handling of tax and related matters regarding domestic partners. Mr. Aburano and the Administrator will work with a selection committee to select a special deputy and Mr. Aburano will report back to the Board next month regarding the costs for the same.

C. BENEFITS CONSULTANT

1. Final Annual Report for PEHF

Overview by Mr. Garner regarding the final annual report for PEHF (see report).

2. Disclosure - Kaiser

Mr. Garner disclosed that he sent an e-mail to the Trustees regarding ongoing discussion with Kaiser for Garner to do a consultant project. He does not believe that it is a conflict of interest and has not heard any objections by the Trustees.

3. HMSA – Request for Rate Increase

Mr. Garner reported that HMSA has requested a rate increase for its standard plans offered in the community. Garner Consulting reviewed the rates requested and HMSA's most common benefit plan. Mr. Garner stated that their actuarial analysis of the difference in benefits is that the EUTF plan is 3.3% richer than the standard plan that was quoted in the papers. The main difference is the EUTF has a lower out-of-pocket limit and better prescription drug benefits for brand name drugs. The rates quoted in the paper were on a 3-tier basis that Garner compared to the EUTF's single employee rates and that the EUTF rates were 21.8% less than the rates being requested by HMSA.

4. Letter to Administrator Re: HSTA dated 3/1/04

Overview by Ms. Reagan regarding the letter regarding HSTA (see letter). Mr. Morita expressed his concerns regarding Garner Consulting's letter. Chair Miyake clarified that the Board had requested this information by Garner Consulting to be provided to the legislature. Discussion held by Trustees, consultant, and public regarding Garner Consulting letter regarding HSTA.

5. Garner Consulting Bulletin for February 2004

Overview by Mr. Garner regarding Garner Consultant's bulletin (see bulletin).

Discussion held by Trustees and consultant regarding GASB.

D. Carrier's Reports

1. Mutual Benefit Association of Hawaii

Written report submitted for January 2004.

2. Hawaii Dental Service

Written report submitted for February 2004.

3. Kaiser Permanente

Written report submitted.

4. HMSA

Written report submitted.

V. UNFINISHED BUSINESS: None

VI. NEW BUSINESS

A. Royal State Dual Coverage Plan Update

Overview by Mr. Fukuhara regarding the status on the Royal State dual coverage plan. Even though the Board approved payment to Royal State, Budget and Finance will not make payment until there are signed contracts. The EUTF received a copy of SHOPO's collective bargaining agreement and is still waiting for other collective bargaining agreements. Mr. Pereira from HGEA agreed verbally to the 60% for employer and 40% for employee contributions for the dual coverage plan and stand-alone prescription drug plan. Mr. Fukuhara stated that Mr. Pereira said that Mr. Hong will need to contact each union separately. SHOPO's agreement did not address the contributions for the stand-alone drug plan. Trustee Radcliffe stated that HGEA speaks for UHPA. Discussion held by Trustees and staff regarding the collective bargaining agreements, Royal State contract, and payments due to Royal State. There being no objections by the Trustees, an Ad Hoc Committee consisting of Trustees Awana, Miyake, Radcliffe, and Watanabe will meet with Mr. Hong regarding the collective bargaining agreements

B. Potential UHPA Strike

Overview by Mr. Fukuhara and Trustee Radcliffe regarding the potential UHPA strike and drafts to be sent to UH employees. Discussion held by Trustees and staff regarding the draft by EUTF and the draft from Trustee Radcliffe and health benefits coverage for employees on strike. There being no objections by the Trustees, drafts will not be given to anyone. Trustee Recktenwald disclosed that he is insured by an UHPA policy and his wife is an UHPA member and reclude himself from any deliberation that directly affects this dispute. [Trustee Recktenwald left at 12:29 p.m.]

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

A. Letter from DOE Regarding the Special Open Enrollment dated 2/18/04 (see letter)

B. OIP Openline Bulletin for January-February 2004 (see bulletin)

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Regular Board meeting scheduled for Wednesday, May 17, 2004, SOT room 405.

IX. EXECUTIVE SESSION

Motion was made to go into Executive Session at 12:33 p.m. (Watanabe/Radcliffe) The motion passed unanimously. Employer Trustees-3/Employee-Beneficiary Trustees-4)

Motion was made to move out of Executive Session. (Lewis/Radcliffe) The motion passed unanimously. Employer Trustees-3/Employee-Beneficiary Trustees-4)

Executive Session adjourned at 12:50 p.m.

X. ADJOURNMENT

MOTION was made to adjourn the regular meeting. (Lewis/Radcliffe) The motion passed unanimously. (Employer trustees-3/Employee-Beneficiary trustees-4)

The meeting was adjourned at 12:50 p.m.

Respectfully submitted,

/s/

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Katherine Thomason, Secretary-Treasurer

APPROVED on September 28, 2005 as amended.

Documents Distributed:

1. Administrator's Update/Report dated 3/17/04. (2 pages)
2. 2004 Legislative Session – Bills Relating to the EUTF updated 3/12/04. (4 pages)
3. Letter to Administrator from Garner Consulting Re: HSTA dated 3/1/04. (5 pages)
4. Garner Bulletin for February 2004. (2 pages)
5. Letter to Chair Miyake from DOE Re: Special Open Enrollment dated 2/18/04. (3 pages)
6. OIP Openline for January-February 2004. (2 pages)