

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Special Meeting of the Board of Trustees
Wednesday, March 18, 2009

TRUSTEES PRESENT

Ms. Marie Laderta, Chairperson
Ms. Barbara Annis, Vice Chairperson
Ms. Elizabeth Ho, Secretary-Treasurer
Mr. Ronald Boyer
Mr. Darwin Ching

Dr. Carl Daeufer
Mr. Guy Fujio
Mr. George Kahooohanohano
Mr. John Radcliffe
Mr. Stanley Shiraki

TRUSTEES ABSENT: None

ATTORNEY

Mr. Russell Suzuki, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator
Mr. Lawrence Nishihara
Ms. Maria Quartero
Ms. Kathleen Shiroma
Ms. Donna Tonaki

Mr. Timothy Nimmer, Consultant (via conference call)
Mr. Mark Fukuhara, Consultant
Mr. Justin Kindy, Consultant (via conference call)
Ms. Joni Tamayo-Wilson, Consultant

OTHERS PRESENT

Ms. Lynette Arakawa, HDS
Ms. Nikki Bassett, NMHC
Ms. Sandra Benevides, Kaiser Permanente
Ms. Ethel Date, HGEA-R
Ms. Monica Engle, VSP
Ms. Suzanne Fields, Kaiser Permanente
Ms. Elaine Fujiwara, HDS
Ms. Venus Gabuyo RSN
Ms. Susan Goya, HGEA
Ms. Donna Higashi, HGEA-R
Ms. Fran Kagawa, HGEA-R
Ms. Bonny Kahalewai, Standard Insurance

Ms. Norma Kashimoki, HGEA-R
Mr. Jack Katahira, HGEA-R
Ms. Ruth Kim, HSRTA
Ms. Wanda Kimura, B&F
Ms. Doreen Kuroda, DHRD
Mr. Michael Moss, Kaiser Permanente
Mr. Harris Nakamoto, HMSA
Ms. Gertrude Nitta, HGEA-R
Mr. Rod Tam, HMSA
Ms. Valerie Trechter, Kaiser Permanente
Mr. John Wadahara, HGEA-R

I. CALL TO ORDER

The special meeting of the Board of Trustees was called to order at 9:00 a.m. by Trustee Marie Laderta, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, March 18, 2009.

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for February 10, 2009.

There being no objections by the Trustees, the minutes for February 10, 2009 were approved as circulated.

III. OTHER REPORTS

A. Benefits Consultant

1. March Report (see written report)

a. Fully Insured Plans Effective 7/1/09

This item will be addressed in Executive Session.

b. Self-Funded Plans Effective 7/1/09

Overview by Mr. Fukuhara regarding a meeting with Bob Davis from Ascend Specialty Rx, Nicole Bassett and Nicole Wong. More information on options that Mr. Davis provided at the December 2008 will be presented at the April 1, 2009 Board meeting for review and decision making (see Consultant's report).

For the Trustees information, Mr. Fukuhara reported that Aon had discussions with NMHC regarding the implementation of four items the Trustees approved previously. It is Aon's desire to have NMHC implement with no impact to the EUTF staff or the members as they prepare for the clinical changes effective July 1, 2009.

Mr. Fukuhara reported that the slide presentation showing current plans, options and other information presented at previous Board meetings are in the Trustees packet. Overview by Mr. Fukuhara regarding the following new information in the slide presentation: (1) page 2, "Status of Rates and Benefits". A similar slide on fully-insured plans will be provided in Executive Session; (2) page 6, added premiums in the bottom row; and (3) page 7, added Option VI and included a number in percentage terms on the impact of that change. Mr. Fukuhara stated that these numbers are not inconsistent; there are interrelationships and correlations between some of these changes. Therefore, you cannot simply take the numbers and add them up and get to the numbers on the very bottom row. However, this gives the Board a better idea on the impact of each change if the Board wants to consider different combinations.

Mr. Fukuhara reported that a more detailed benefit comparison among EUTF PPO, HMSA Prevalent Plan and HMSA Comp Med was attached to Aon's report (see Consultant's report).

Discussion held by Trustees and benefits consultant regarding the benefits/summary comparison report. Mr. Fukuhara clarified that the Comp Med plan listed is the community Comp Med plan and not the modified Comp Med plan requested by Trustee Ho. Discussion held by Trustees and benefits consultant regarding if it is gross rates of the employees on page 6 of the slide presentation. Mr. Fukuhara stated that these rates are the total for employees and employers combined.

IV. UNFINISHED BUSINESS

A. Self-Funded Plans Rates and Benefits Effective 7/1/09

MOTION was made for the Board to approve provision of a basic medical and prescription drug self-funded plan for active employees for the plan years 2009-2010 and 2010-2011 effective July 1, 2009. The plan design shall be as follows:

Deductible:	\$850 in-network \$1,700 out-of-network
Co-insurance:	75% in network 50% out-of-network
Co-pay:	\$20 on well care visits, immunizations
Out-of-pocket:	\$4,000 per person \$12,000 per family
Lifetime Max:	None
Rx:	\$15/\$30/\$60 (IN)
3-Tier Structure: (Generic/ Preferred Brand Name/Other Brand Name)	\$15+\$25%/\$30+25%/\$60+25% (OON) \$30/\$60/\$120 mail order (IN) OON Mail order not covered

Further move that the Board approve the provision of self-funded medical and prescription drug plans for the plan years 2009-2010 and 2010-2011, effective January 1, 2010. (Annis/Shiraki)

Discussion held by Trustees and staff regarding separating the actives and retiree proposals into two motions. Trustee Shiraki stated that the motion is a package and at this time cannot be separated. Trustee Radcliffe asked if this is a hostage motion. Trustee Annis stated it is a total package because they are looking at a dollar amount. Mr. Williams asked to clarify because he does not see the rates and that it appears to be Option II with a 0% rate increase. Is the intent to include in the motion to maintain the current rates? Trustee Annis stated that is the intent. Mr. Williams stated if this motion is passed as is, he would need to know what the rates are. Trustee Shiraki stated the intent is for the consultant to look over and cost it out. Yes, it is based on Option II. Mr. Williams asked if the intent of the motion if it passes is for the benefits consultant to prepare the final rates based on this and bring it back for final Board approval. Trustee Annis stated it is correct. The understanding is that

there are some details within those options that have to be analyzed by the consultant. Mr. Williams stated in the retiree motion he does not see the period July 1, 2009 to December 31, 2009. Discussion held by Trustees, staff and benefits consultant regarding if the period July 1, 2009 – December 31, 2009 was approved. Mr. Williams stated no it was not and referred to page 2 of the summary Aon provided. It is okay if that is the Trustees intent. Chair Laderta clarified that the motion should include this six month period. Mr. Williams stated there is no concrete proposal or recommendations from Aon for the period beginning January 1, 2010. Aon would normally do that in September/October and present it to the Board prior to the open enrollment in the fall. Some general guidance was given that Budget & Finance used. Mr. Fukuhara stated that is correct. Mr. Williams stated the motion addresses the 2010 calendar year but the Board does not have the work from Aon yet for retirees to back that up. Discussion held by Trustees, staff and benefits consultant that details are not needed now and the motion is to implement the program. Mr. Fukuhara clarified that if this motion is passed, Aon would come back with rates that would be good from July 1, 2009 – June 30, 2010 for actives and July 1, 2009 – December 31, 2009 for retirees. Discussion held by Trustees, staff and benefits consultant regarding the proposed motion for extension of the six month period for retirees. Chair Laderta clarified that Trustee Annis is saying that it is okay if the Board needs to shorten the period from calendar year to July 1, 2009 – December 31, 2009 for the retirees until the opportunity to consider for the next calendar year becomes available from Aon in the fall. Trustee Annis stated that is correct. Chair Laderta stated that the idea is to continue existing benefits through the rest of the calendar year and beyond. Trustee Radcliffe asked if the motion for actives is based on Option II? Trustee Annis stated yes it is Option II. Trustee Radcliffe asked in order to get the retirees, the motion is that we have to accept Option II for actives. Chair Laderta clarified that it is one single motion. Trustee Kahoohanohano stated that in Option II the members will pay approximately 30% because it is 30% reduction in benefits. In the existing Option I with the same benefits it is a 29.4% increase. Either way, the members stand the jerk, and he asked if that is correct. Trustee Shiraki stated it is up to collective bargaining on what the premium share will be between employers and employees. Trustee Kahoohanohano stated that the Board is dictating what the benefits are on this motion. If the benefits are dictated here, all collective bargaining will do is to decide how the premiums will be divided. It is not our purview, as the Board of Trustees, to get into something like this because the Governor said a week ago that she is going to reduce benefits to balance the budget. It was stated in the newspaper and the television. Trustee Kahoohanohano stated it is difficult for him to accept this either way because our members stand the jerk of 30%.

MOTION TO AMEND was made that the Board approves to separate the active and retiree proposals into two motions. (Radcliffe/Daeufer) After discussion by the Trustees, the motion failed. (Employer Trustees-5 No-Annis, Boyer, Ching, Laderta, Shiraki/Employee-beneficiary Trustees-5 Yes-Daeufer, Fujio, Ho, Kahoohanohano, Radcliffe)

MOTION restated for the Board to approve for active employees the provision of a basic medical and prescription drug self-funded plan for active employees for the plan years 2009-2010 and 2010-2011 effective July 1, 2009. The plan design shall be as follows:

Deductible:	\$850 in-network \$1,700 out-of-network
Co-insurance:	75% in network 50% out-of-network
Co-pay:	\$20 on well care visits, immunizations
Out-of-pocket:	\$4,000 per person \$12,000 per family
Lifetime Max:	None
Rx:	\$15/\$30/\$60 (IN)
3-Tier Structure: (Generic/ Preferred Brand Name/Other Brand Name)	\$15+\$25%/\$30+25%/\$60+25% (OON) \$30/\$60/\$120 mail order (IN) OON Mail order not covered

Further move that the Board approve for retirees the provision of self-funded medical and prescription drug plans for the plan years 2009-2010 and 2010-2011, effective January 1, 2010. The motion failed. (Employer Trustees-5 Yes-Annis, Boyer, Ching, Laderta, Shiraki/Employee-beneficiary Trustees-5 No-Daeufer, Fujio, Ho, Kahoohanohano, Radcliffe)

MOTION was made for the Board to approve the proposed retiree rates for self-funded plans presented by Aon on the report titled "FY 2010 Plan Options and Cost Implications for Retirees, Governor Briefing, January 14, 2009," page 5, Option I (no change to plan provisions) are hereby approved by the Board of Trustees, effective July 1, 2009 through December 31, 2009. Stand alone medical and prescription drug rates shall be calculated by the Consultant consistent with the aforementioned rates. The EUTF Administrative Fee shall remain unchanged. The Consultant and Administrator are directed to take the necessary actions to implement this decision, including informing employers and the Legislature of the estimated costs of these approved benefit plan rates. (Daeufer/Fujio)

Trustee Daeufer stated that this same motion was presented at a previous Board meeting and he had made the pitch on all the reasons why. Based upon the previous discussion that the Board just had, it appears that the majority of the Board is interested in providing self-funded plans for the retirees as stated in the previous motion. Trustee Daeufer stated that the previous motion just voted down had a section that is exactly the same thing and there was a vote by employer Trustees in favor of that motion.

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MOTION was made for the Board to approve that the Administrator and Consultant be authorized to prepare an RFP for an insured plan benefits based on the current self-funded PPO plan of benefits and an alternate plan of benefits to be the HMSA COMPMED plan on file with the Insurance Division for the plan year beginning July 1, 2009 for actives. (Ho/Kahooahanohano)

Trustee Ho stated the reason for the motion is that Aon proposed rate increase of 29.4% for the current benefit appears to be unreasonable based on Hawaii's market place. Mr. Williams asked if Trustee Ho's intention is to address the FY 09 plan year for actives as soon as possible. Trustee Ho stated that yes it is intended to address the 2009 plan year for actives, as soon as possible. Chair Laderta stated once an RFP is issued, and the EUTF goes through the process and selects someone, it will take some time and asked is this relative to the current situation or is it prospective.

Mr. Williams stated his understanding based on Trustee Ho's response this is not for the future but intended to address the current decision making for the plan year beginning July 1, even if the actual start date might be later. Mr. Williams asked to clarify if this is for retirees too or just actives. Trustee Ho stated it is for actives at this time. Discussion held by Trustees and staff regarding how long the RFP process would take. Mr. Williams stated it was about a five month period but is confident it could be less. The staff had estimated if the Board decided in the February meeting that an RFP could be completed by August 1, a five month period based on an accelerated process. Now one month later it would be at least by September 1.

Discussion held by Trustees, staff and deputy attorney general regarding the reason for delaying this request was because of an inquiry to the procurement office. Further discussion held by Trustees, staff and deputy attorney general regarding what the Trustees can do in the interim to insure that the participants have coverage.

Mr. Suzuki stated he would need to review the existing contracts but the problem is that there is no quick way to procure a contract short term. The solicitation process takes five to six months to begin with. To again attempt to get the SPO to waive the procurement code for a short term agreement, Mr. Suzuki is not sure it would be successful. Mr. Williams stated that Mr. Suzuki is responding in terms of insured contracts for July 1 but the other alternative for the Board is if this approach were adopted would be to do an interim approach for self-funded plans. Discussion held by Trustees, staff and deputy attorney general regarding concerns about incurring sizable losses and how those costs would be covered. Mr. Williams stated if the Board approves this, the Board still needs to make decisions on rates and benefits for the self-funded plans effective July 1 until any insured plans were procured.

Discussion held by Trustees, staff and deputy attorney general regarding if the Board can use proposals that are received to compare the self-funded or fully-insured plans and make a decision based on that. Mr. Suzuki stated yes, the Board does not have to accept the proposal. Chair Laderta stated at the previous meeting Trustee Ho wanted to know if a fully-insured plan would cost less than the self-funded plan and that the Board should at least review. The administrator was asked to inquire with the State Procurement Office (SPO) if the current contract can be amended or an exemption can be made. The SPO responded and said the EUTF must go through the entire procurement process. Chair Laderta asked if Trustee Ho's motion is so the Board can take a look at this option and be able to evaluate to stay with the self-funded plan or go with a fully-insured plan. Trustee Ho stated that is correct. Discussion held by Trustees and staff regarding that the Board still needs to define the benefits and rates and if contracts can be negotiated in the interim while the Board is waiting for the procurement process to take place. Mr. Williams stated there is no need for interim contracts. The EUTF does have contracts for self-funded plans. The plan administrators are in place, they just need to be directed on what are the benefits and rates. Even if this motion passes, we all know it cannot be in place July 1, so the Board still needs to make those decisions. Those are not contractual issues with the plan administrators. It is a matter of benefits and rate determination by the Board. Discussion held by Trustees and staff regarding if the Board decides to go with fully-insured plans in September or October because it is more cost effective what happens then. Mr. Williams stated then the Board would exercise the termination for convenience clause in the existing self-funded administrative contracts as of a date. Then as of the next day, start the contracts with the fully-insured plans that are obtained through the procurement process. Discussion held by Trustees, staff and deputy attorney general regarding penalties for canceling the contracts. Mr. Suzuki stated there is a possibility of paying incidental costs and whatever they can claim when you terminate a contract. Mr. Williams stated it is not a real penalty but costs for run off claims and that the contracts are not the same. In some cases that

compensation is built into the current payments and some cases are paid on a per claim basis. It is costs not penalties. Discussion held by Trustees and staff regarding if fully-insured plans are not cost effective. Mr. Williams stated then the Board would continue with what is already in affect. Trustee Ho stated after discussions, she would like to amend the motion to include retirees.

MOTION TO AMEND was made for the Board to approve to include retirees effective January 1, 2010. (Ho/Annis)

Trustee Radcliffe stated that he will vote yes on the amended motion but does not believe that this would in any way bind them to have the retirees and actives bound in any way together in any future motions.

MOTION TO AMEND restated for the Board to approve to include retirees effective January 1, 2010. After discussion held by Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-beneficiary Trustees-5)

Discussion held by Trustees, staff and benefits consultant regarding why the HMSA COMPMED plan was chosen and if Trustees want to leave open for other options. Mr. Fukuhara stated carriers responding to the RFP's requested plan designs also have the opportunity to propose other options. They can be creative and come up with something that is an option for the Board to consider. The advantage of Trustee Ho's proposal is that particular plan design is very clear and defined. Discussion held by Trustees regarding including other options to include A and B. Trustee Shiraki stated Trustee Ho's Option is 6, the employers are looking at Option 2 and for retirees Option 1. Trustee Boyer clarified that option 6 is not the COMP MED plan on file with the Insurance Division but is modified. Chair Laderta stated that the motion is to modify to consider other plans and not limit the Board.

MOTION TO AMEND was made for the Board to approve to include other plan options. (Boyer/Ching) The motion passed unanimously. (Employer Trustees-5/Employee-beneficiary Trustees-5)

Trustee Daeufer stated he wants to make sure the minutes reflect Trustee Radcliffe's concern about not tying the actives and retirees necessarily to the RFP outcome and the intent that it does not happen.

Discussion held by Trustees and Mr. Nakamoto from HMA regarding the option of seeking a fully-insured COMP MED plan. Further discussion held by Trustees and Mr. Rod Tam regarding suggestions or strategies that the Board would be comfortable with in issuing an RFP.

MAIN MOTION AS AMENDED was made for the Board to approve that the Administrator and Consultant be authorized to prepare an RFP for an insured plan of benefits based on the current self-funded PPO plan of benefits, an alternate plan of benefits to be the HMSA COMPMED plan on file with the Insurance Division and other plan options including those under consideration by the Board for the plan year beginning July 1, 2009 for actives and for the plan year beginning January 1, 2010 for retirees. The motion passed unanimously. (Employer Trustees-5/Employee-beneficiary Trustees-5)

MOTION was made for Board to approve the following approach for establishing the rates and benefits for EUTF self-funded plans for active employees for the 2009-2010 plan year, effective July 1, 2009:

HMSA Community Prevalent Plan:

<u>PROVISION</u>	<u>RATE IMPACT</u>
1) Change to HMSA community prevalent plan	-3.4%
2) Change eligibility rule (applies to all plans)	-1%
3) Prescription drug provisions (already adopted)	-0.5%
4) Reserve margin of 3% (80% confidence level)	-2%
5) Eligibility audit (per Trustees decision) * (applies to all plans)	-2%
Total Rate Reduction	-9.0%
Net Self Funded Plans Rate Increase	29.4% - 9.0% = 20.4%

* Trustees have directed administrator to get audit done as soon as possible. Motion includes 2% savings even if not "certified" by actuary.

The Board directs the Consultant to prepare rates, benefit summaries, cost estimates and any other documentation needed for final approval at the next special or regular meeting of the Board of Trustees. The Board directs the Administrator to assist with and take any other actions necessary to implement this decision of the Board. (Radcliffe/Daeufer)

Discussion held by Trustees regarding which self-funded plans. Trustee Radcliffe stated it is basically Option 5 with alternatives.

MOTION restated for Board to approve the following approach for establishing the rates and benefits for EUTF self-funded plans for active employees for the 2009-2010 plan year, effective July 1, 2009:

HMSA Community Prevalent Plan:

<u>PROVISION</u>	<u>RATE IMPACT</u>
1) Change to HMSA community prevalent plan	-3.4%
2) Change eligibility rule (applies to all plans)	-1%
3) Prescription drug provisions (already adopted)	-0.5%
4) Reserve margin of 3% (80% confidence level)	-2%
5) Eligibility audit (per Trustees decision) * (applies to all plans)	-2%
Total Rate Reduction	-9.0%
Net Self Funded Plans Rate Increase	29.4% - 9.0% = 20.4%

* Trustees have directed administrator to get audit done as soon as possible. Motion includes 2% savings even if not “certified” by actuary.

The Board directs the Consultant to prepare rates, benefit summaries, cost estimates and any other documentation needed for final approval at the next special or regular meeting of the Board of Trustees. The Board directs the Administrator to assist with and take any other actions necessary to implement this decision of the Board. After discussion by the Trustees, the motion failed. (Employer Trustees-5 No-Annis, Boyer, Ching, Laderta, Shiraki/Employee-beneficiary Trustees-5 Yes-Daeufer, Fujio, Ho, Kahooahanohano, Radcliffe)

MOTION was made to go into Executive Session at 10:15 a.m. for the reasons stated on the agenda. (Annis/Radcliffe) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Executive Session recessed and the Regular Board meeting reconvened at 10:43 a.m.

B. Fully-Insured Plan Rates and Benefits (Kaiser, Royal State, ChiroPlan, HDS, VSP, Standard) Effective 7/1/09

This item will be addressed in Executive Session.

C. Procurement of Insured Medical and Prescription Drug Plans

A motion was made earlier on the agenda.

D. Request for Proposal – Eligibility Audit

This item will be addressed in Executive Session.

V. NEW BUSINESS

A. Hardship Exception

This item will be addressed in Executive Session.

B. Revised Open Enrollment Dates

Overview by Mr. Williams regarding the memorandum on the 2009 Active Open Enrollment distributed to the Trustees. The administrator recommends that the Board approve changing the open enrollment period beginning May 18, 2009 and ending June 12, 2009. Discussion held by Trustees and staff regarding the hiring of temporary positions. Mr. Williams stated that the EUTF does not have the authority to hire on its own. B&F has the request to fill vacancies for six months that is fully justified and not general funded and has no financial impact. Discussion held by Trustees and staff regarding if presentations on line will be provided. Mr. Williams stated employees will be able to access the presentations by web (on-line) or in their offices on DVD. Trustee Annis stated she is willing to provide some administrative assistance from her secretary. Mr. Kitahira, retiree, stated he is able to assist the EUTF if needed. Ms. Benevides stated that the Kaiser plan for retirees terminates June 30, 2009. Kaiser is also available to assist with direct mail for EUTF beneficiaries.

MOTION was made for the Board to approve the Administrator's recommendation to change the open enrollment period beginning May 18, 2009 and ending June 12, 2009. (Radcliffe/Daeufer) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

C. Change Board Meeting Dated in 6/2009

Trustee Kahoohanohano stated that he is scheduled to be out of state on June 24, 2009 and requested to change the meeting date to June 17, 2009 so he can be presented. There being no objections by the Trustees, this item is deferred until April 1, 2009.

D. Issuing Mandatory Wellness Program RFP

MOTION was made for the Board to approve and authorize the procurement of a mandatory wellness program for active employees with a target of a minimum guaranteed savings of 5% and an effective date of no later than July 1, 2010. And that the Board of Trustees directs the consultant and administrator to prepare a Request for Proposal for a mandatory wellness program to be presented to the Board of Trustees for approval no later than August 31, 2009. (Radcliffe/Daeufer)

Trustee Radcliffe stated this has been discussed at some length in the past and summarized the various issues in his written document. Discussion held by Trustees regarding supporting the concept but an issue would be whether it should be mandatory or voluntary. Trustee Ching stated he has a memorandum from the Hawaii Civil Rights Commission and is requesting that the deputy attorney general review, try to resolve any issues in this regard and craft a program so it could be implemented. He is not bringing this memo to stunt the concept or speak in opposition but to raise the knowledge that there are certain legal impediments that he

is sure the attorney general could figure a way to get around it. Mr. Suzuki stated that he could review it but not sure if they could solve the problem. Mr. Williams stated in assisting Trustee Radcliffe in this motion, part of the reason why the deadline is August 31, 2009 is that they are trying to consider all the angles in drafting the RFP, in particular, the scope of work will be critical. If this motion passes, the Trustees will have two chances at the details. One is in the RFP and the scope of work and the second is when the proposals are received in terms of clarifying and evaluating those proposals. Discussion held by Trustees regarding if this has been done before. Trustee Radcliffe stated it has been done in other jurisdictions in the private sector. In the public sector, the only one Trustee Radcliffe is aware of is in Georgia which has a very different insurance model. They only pay for the individual and the State picks up the costs of the insurance. Trustee Radcliffe would like to see the EUTF try it. Discussion held by Trustees regarding the intent of the motion. Mr. Williams stated that the EUTF puts in all their RFP's that the Board reserves the right to cancel the RFP at any time. Discussion held by Trustees regarding if the deadline stated would be met because of the legal issues for the deputy attorney general to review and if unions should be consulted first.

MOTION TO AMEND was made for the Board to approve to strike the first sentence, delete "And" and "mandatory". (Boyer/Annis)

Trustee Radcliffe stated the motion to amend lacks specificity in other words we do not know what kind of wellness program. The State already had a wellness program at DCCA with only three participants out 274 employees. Discussion held by Trustees regarding why the Trustees should limit it to one.

MOTION TO AMEND restated for the Board to approve to strike the first sentence, delete "And" and "mandatory". The motion failed. (Employer Trustees-4 Yes-Annis, Boyer, Ching, Laderta, No-Shiraki/Employee-Beneficiary Trustees-5 No-Dauefer, Fujio, Ho, Kahooahanohano, Radcliffe)

MOTION TO AMEND was made for the Board to approve to add "for the administrator, deputy attorney general, and benefits consultant to look at the legality, feasibility and check with the unions and other agencies involved to see whether such a program is required, needed or acceptable before the start of the RFP process. (Shiraki/Ho)

Discussion held by Trustees and staff regarding the deadline for Trustees to either accept or not accept the RFP. Mr. Williams stated his understanding of this motion is that when you are presented the RFP, the Board will vote whether to change or not change it, issue or not issue the RFP. Mr. Suzuki suggested that the Board change the first sentence to delete "procurement" and add "development of an RFP for". Trustee Radcliffe has no objections to Mr. Suzuki's suggestion.

MOTION TO AMEND restated for the Board to approve to add "for the administrator, deputy attorney general, and benefits consultant to look at the legality, feasibility and check with the unions and other agencies involved to see whether such a program is required, needed or acceptable before the start of the RFP process. The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

MAIN MOTION AS AMENDED for the Board to approve and authorize the development of an RFP for a mandatory wellness program for active employees with a target of a minimum guaranteed savings of 5% and an effective date of no later than July 1, 2010. And that the Board of Trustees directs the consultant and administrator to prepare a Request for Proposal for a mandatory wellness program to be presented to the Board of Trustees for approval no later than August 31, 2009. And for the administrator, deputy attorney general, and benefits consultant to look at the legality, feasibility and check with the unions and other agencies involved to see whether such a program is required, needed or acceptable before the start of the RFP process. The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

E. Board Participation on Dispute Resolution

Chair Laderta summarized the reasons for the mediation process. Mr. Suzuki stated it does not preclude the Board from continuing to come to an agreement but gives the Board an alternative parallel route to try to resolve the dispute between the parties. The Federal mediator Ken Kawamoto is free of charge and he is available March 30, 31 and April 1. Mr. Suzuki recommends that the Board should consider it, put it on the table as part of its responsibility to try to come to an agreement. Mr. Williams stated that the law says 6 Trustees need to vote in favor, regardless of which category the 6 belong to. Discussion held by Trustees, staff and deputy attorney general regarding if the Board uses Federal mediation does the Board need to give 7-day notice in order to go into mediation. Mr. Suzuki stated he does not believe so because it is the most flexible process. It is the rules that say to use the Federal mediator. Trustee Radcliffe stated he has been in negotiations and used the Federal mediator many times and in those situations you are not constrained by the kind of very serious sunshine constraints that we have before this Board. Mr. Suzuki stated if it has to be under the sunshine law it will probably circumvent part of the process. We probably will be deferring to the mediator to determine what the rules are going to be between how the Board is going to conduct it. No formal decisions will be made. Mr. Williams stated at the end the Board will have a meeting notice and come back in public meeting to vote on what was agreed upon in mediation. Mr. Suzuki stated that is correct, the Board cannot make a decision in mediation and it is not a binding arbitration but mediation. Trustee Radcliffe stated he knows the process but does not know the process on how it relates to this kind of a board since

it has never been done. Mr. Williams stated the Board could proceed without opening the mediation to the public but there could be a possibility it could be challenged. In the end any agreement would be presented during properly noticed public meeting. Mr. Suzuki stated yes, at a duly noticed future meeting. Trustee Kahooohanohano stated he has been in mediation process also and would not like the Board to get sidetracked by something said that comes out unexpected but will be determined by the mediator. Trustee Kahooohanohano asked Mr. Suzuki if that is correct. Mr. Suzuki stated the mediator will determine the rules for the mediation with the Board's agreement. The board can disagree and stop the process. Trustee Kahooohanohano stated he is concerned about the sunshine law because this is the first time and if anyone did a complete research on it. Mr. Suzuki stated it depends on how the mediator will conduct the process to all the members or one member to see what the positions are. Chair Laderta clarified if the Board decides to vote in support of the dispute resolution for mediation it does not prevent the Board from continuing on what the Board has to do in setting the rates and benefit plans. Mediation will be available if needed by the Board. Mr. Suzuki stated the intention of the present agenda is to keep this meeting open as opposed to adjourning it so that we do have the opportunity to meet this week or next week by the continuation of this meeting to come to an agreement. Discussion held by Trustees and staff regarding the 10-day notice. Mr. Williams stated the 10-day notice is in the Administrative rules. In this case, the conditions are met already. The Board has control of this process. Chair Laderta asked if the Board is in the middle of mediation and decides that they don't need the mediator any more can they call it off at any time. Mr. Suzuki stated yes, it is not mandatory fact finding arbitration. If there is concern about the sunshine law, the Board may just want to consider continuing this meeting and just having the mediator combined to participate and mediation to still occur. It would be a possible solution to the sunshine law issue. Mr. Williams stated it would still be held in Executive Session.

MOTION was made for the Board to approve to engage in dispute resolution as provided by Chapter 87A-11(c) and EUTF Administrative Rule 1.07(d)(4) and to authorize the Administrator and Chair to make the necessary arrangements with the Federal mediator. (Boyer/Ching) The motion passed unanimously. (Employer Trustees-5/Employee-beneficiary Trustees-5)

Mr. Williams stated there are two sides in mediation and would need to know what if any role the staff will play. The Chair will need to be involved in making the arrangements with the mediator.

- F. Conversion of Administrative Service Contract(s) to Insured Plan Contract(s)
Mr. Williams summarized the memorandum from Aaron Fujioka that was distributed to the Trustees in which an e-mail was sent earlier (see memorandum). Based on the decision by SPO, this matter is moot.

G. Proposed Rule Change (Rule 5.00 Health and Other Benefit Plans)

Overview by Mr. Williams regarding the proposed rule change. Chair Laderta clarified in the administrator's report it states that "Aon estimates that this provision requires a 1% adjustment (increase) in the rates proposed for self-funded plans". As just indicated, reminding the Trustees by doing this, we can bring down the increase by 1%. It is a cost savings measure. Mr. Williams stated if the proposed rule change is adopted, the recommendation is to make it effective October 1, 2009 and explained the reasons. Mr. Williams stated it could reduce the 1%. Mr. Nimmer stated that is correct, Aon would need to prorate due to the timing when it is implemented. It would be approximately three quarters because it would be implemented for three quarters of one year. Chair Laderta asked Mr. Nimmer to provide the adjusted figure. Mr. Nimmer stated he would do so.

MOTION was made for the Board to approve the proposed rule changes subject to consultation with employers and employee-organizations effective October 1, 2009. (Kahooanohano/Ching) The motion passed unanimously. (Employer Trustees-5/Employee-beneficiary Trustees-5)

VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

A. E-mails from UHPA Members, C&C Employee

B. Mr. Michael Moss from Kaiser stated if there are any changes to PPO plans, Kaiser would like the opportunity to review because it may change their competitive position.

VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

A. April 1, 2009 – Regular Board meeting.

Chair Laderta announced that this meeting will be recessed and reconvened on Tuesday, March 24, 2009, 9:00 a.m.

VIII. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 11:55 a.m. for the reasons stated on the agenda. (Ching/Boyer) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

The Executive Session adjourned at 12:33 p.m.

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

1. Approval of January 28, 2009 minutes.
2. Approval of hardship exception.
3. Deferred action on RFP for eligibility audit.

The meeting recessed at 12:36 p.m. and will reconvene on Tuesday, March 24, 2009, 9:00 a.m.

IX. ADJOURNMENT

Due to lack of quorum on Tuesday, March 24, 2009, 9:00 a.m., the meeting did not reconvene.

Announcement was made that the Board will meet on March 30, 2009, 1:00 p.m.

Respectfully submitted,

/s/

Elizabeth Ho, Secretary-Treasurer

APPROVED on May 20, 2009 as amended.

Documents Distributed:

1. Draft Minutes for February 10, 2009. (10 pages)
2. Letter to BOT from Aon Consulting regarding March 2009 Benefit Consultant Report dated 3/10/09. (1 page)
3. EUTF Summary FY2010 Plan Options and Cost Implications by Aon Consulting dated 3/18/09. (12 pages)
4. Benefit Summary/Comparison prepared by HMSA 12/17/08 updated by Aon 3/10/09. (4 pages)
5. Memorandum to BOT from Administrator regarding 2009 Active Open Enrollment dated 3/12/09. (3 pages)
6. Memorandum to BOT from Administrator regarding Proposed Rule Change (Rule 5.00 Health and Other Benefit Plans) dated 3/12/09 (13 pages)
7. Memorandum to EUTF from Aaron Fujioka, SPO regarding Request for Ruling-Motion by EUTF Board of Trustees dated 3/12/09. (1 page)
8. Memorandum to Aaron Fujioka, SPO, regarding Request for Ruling – Motion by EUTF Board of Trustees dated 3/5/09. (7 pages)
9. Article from MSNBC on “Poll: 1 in 4 delaying medical care due to cost” dated 2/26/09. (1 page)
10. Article from Honolulu Advertiser on “Isles’ new Medicaid plan off to bad start” dated 2/27/09. (2 pages)
11. Article from Honolulu Star Bulletin on “Higher medical costs await state workers” dated 3/2/09. (3 pages)
12. Article from Honolulu Advertiser on “HMSA losses grow; Kaiser posts profit” dated 3/3/09. (3 pages)
13. Article from All Business on “Destiny Health Announces National Launch of Vitality

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- Wellness Program dated 6/26/07. (3 pages)
14. Article from The Kansas City Star on “Recession forcing many to forgo the medical care they need” dated 3/8/09. (3 pages)