

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, April 22, 2003

TRUSTEES PRESENT

Ms. Audrey Hidano, Vice-Chairperson	Mr. Neal Miyahira
Ms. Joan Lewis, Secretary-Treasurer	Mr. Willard Miyake
Mr. Bob Awana (arrive 10:45 am, left 2:47 pm)	Mr. Dayton Nakanelua
Mr. Gerald Machida (left 2:56 pm)	Mr. John Radcliffe (arrive 2:01 pm, left 2:25 pm)
Ms. Kathryn Matayoshi	Mr. Davis Yogi (arrive 9:32 am, left 11:15 am)

TRUSTEES ABSENT: None

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. H. Mark Fukuhara, Administrator	Mr. Andy Keowen, Consultant
Ms. Maria Quartero	Mr. Zaven Kazazian, Consultant
Mr. Gary Sanehira	Ms. Donna Tonaki
Ms. Kathleen Shiroma	

OTHERS PRESENT

Ms. Lynette Arakawa, HDS	Ms. Doreen Kuroda, DHRD
Ms. Nani Crowell, HSTA MBC	Mr. Tracy Matsumoto, ChiroPlan Hawaii
Ms. Alana Deppe-Mariota, Kaiser Permanente	Mr. Maurice Morita, HSTA
Ms. Monica Engle, VSP	Mr. Michael Moss, HMSA
Ms. Elaine Fujiwara, HDS	Mr. Gordon Murakami, Royal State
Ms. Venus Gabuyo, MBAH	Ms. Karen Muronaka, HSRTA
Mr. Melvin Higa, Royal State	Mr. Rod Tam, HMSA
Mr. Rick Jackson, MDX Hawaii	Ms. Lori Taniguchi, Royal Insurance
Mr. Charles Khim, Public	Mr. George Yamamoto, HGEA-Retirees
Ms. Ruth Kim, HSRTA	Ms. Lilia Yu-Lum

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:24 a.m. by Trustee Audrey Hidano, Vice-Chairperson, in Conference Room 405, Leiopapa A Kamehameha Building, 235 South Beretania Street, Honolulu, Hawaii, on Tuesday, April 22, 2003.

Vice-Chairperson Hidano introduced Attorney General Mark Bennett and Garner consultant, Andy Keowen. Mr. Keowen introduced Garner consultant, Zaven Kazazian.

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for October 8, 2002 and October 17, 2002.

Amendment to the draft minutes for October 17, 2002: page 3, line 25, change "1997" to "1999".

MOTION was made for the Board to approve the minutes for October 8, 2002 as circulated and to approve the minutes for October 17, 2002 as amended. (Lewis/Matayoshi) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

There being no objections by the Trustees, the item on dual coverage will be removed from Executive Session and discussed in public session at this time.

Dual Coverage Plan

Overview by Mr. Fukuhara regarding the issues regarding the offering of dual coverage plans. [Trustee Yogi arrived at 9:32] Discussion held by Trustees, staff, and consultant regarding the offering of dual coverage plans and concerns that employees would not take the dual coverage plan if they have to pay for it. Mr. Fukuhara stated that Royal State had made the assumption that the dual coverage would be fully employer paid and just recently it was brought to the Board's attention that the employer may pay only a percentage of the premiums required by such plans. Discussion held by the Trustees and staff regarding withdrawing the dual coverage plan if minimum enrollment is not met. Further discussion held by the Trustees and deputy attorney general as to whether a letter should be sent to the Governor regarding the intent and purpose of the dual coverage plan, what were the assumptions made as to the employer funding of the plan, and who the plan was meant to reach that would not be able to get coverage now if the plan was withdrawn. Trustee Awana commented that the letter should not characterize the Governor as not maintaining her commitment of status quo; she did not mean the status quo to mean the dollar amount and that it was always the 60% and 40%. Discussion held by Trustees and staff regarding the carriers' contracts. Mr. Fukuhara stated that in the RFP, there were no requirements that the dual coverage plans be fully paid by employer and in the special provisions being prepared now there is no stipulation that the plans be fully paid by the employer. Discussion held by Trustees, staff, and consultant regarding the different plan designs. Comments made by the public regarding the concerns of offering the dual coverage plans and that it would be appropriate to address the amounts with the Governor because it is a collection matter. Mr. Aburano stated that no representation or promise was made to the Board as a whole from the Governor; if the unions or employee trustees were aware of such a representation or promise, then perhaps they should separately write a letter to the Governor. Mr. Fukuhara clarified that it was inappropriate to make a comment about the 60%, it is his understanding that what is on the table is not 100% and that he has not been at any collective bargaining meetings.

MOTION was made for the Board to authorize the Administrator to send a letter informing the Governor that certain assumptions were made in designing the dual coverage plans regarding the employers' funding of such plans, and that if the result of collective bargaining differed from those assumptions that the EUTF was in jeopardy of losing dual coverage benefits plans for 5,000 employees. (Miyake/Lewis) After discussion by the Trustees, the motion failed. (Employer Trustees-1 Yes-Matayoshi, 4

No-Awana, Hidano, Miyahira, Yogi/Employee-Beneficiary Trustees-4 Yes-Lewis, Machida, Miyake, Nakanelua)

AMENDED MOTION was made for the Board to approve to remove the comments related to collective bargaining and address the letter to the Governor with regards to assumptions made by the Trust with regards to the designing of the dual coverage plan and the understanding of what status quo means. (Nakanelua/Matayoshi) After discussion by the Trustees, the motion failed. (Employer Trustees-2 Yes-Matayoshi, Miyahira, 3 No-Awana, Hidano, Yogi/Employee-Beneficiary Trustees-4 Yes-Lewis, Machida, Miyake, Nakanelua)

Discussion held by Trustees and consultant regarding deductibles for dual coverage. Mr. Melvin Higa commented that the Rules Committee should define what was "affordable".

MOTION was made for the Board to authorize: (1) the administrator and EUTF staff to fully and accurately disclose to public employees that they may have to pay a percentage or an amount to join the dual coverage plan; and (2) the administrator, deputy attorney general, and consultant to negotiate terms (any plan bundled with dual coverage) with all carriers on what conditions they are willing to make to go forward. (Miyahira/Yogi) After discussion by the Trustees, the motion passed. (Employer Trustees-5 Yes-Matayoshi, Miyahira, Awana, Hidano. Yogi/Employee-Beneficiary Trustees-3 Yes-Machida, Miyake, Nakanelua, 1 No-Lewis)

Discussion held by Trustees and staff regarding negotiating terms with carriers for the dual coverage plans. The administrator, deputy attorney general, and consultant will meet with carriers regarding negotiation of terms for the dual coverage plans.

Recessed at 11:15 a.m. and Reconvened at 2:01 p.m. [Trustee Yogi left at 11:15 a.m.]

As a result of the Board's instruction, the administrator, deputy attorney general, and consultant met with the various carriers that quoted on the plans to reaffirm their willingness to offer their dual coverage plans if the employers' contributions were less than 100% of their plan premiums. Mr. Keowen reported on the following:

1. VSP would honor the EUTF proposal with the caveat that for the dual coverage plan only, they would guarantee the rate for one year rather than two years
2. HDS would honor the original proposal as offered.
3. Royal State, on the medical portion plan, would extend their offer if the plan is 100% employer funded and if a minimum of 2,500 people enrolled in the plan.
4. HMSA, on the secondary plan, was asked if Royal State continued their offer of a dual coverage plan, would HMSA honor their prescription drug portion of the Royal State plan and HMSA's answer was yes. HMSA was also asked if they were willing

to quote on the medical portion of the dual coverage plan. HMSA indicated that they would not offer the exact benefit plan that was quoted by Royal State but that they would offer an alternate plan of benefits that would be more attractive to the dual coverage people. HMSA is willing to provide rates within the next two or three days. Mr. Fukuhara added that HMSA has agreed to continue to offer what they proposed on the prescription drug dual coverage with no changes to the conditions.

Mr. Aburano stated that it was mentioned to Royal State that there was some interest on HMSA quoting a dual coverage plan if Royal State was not going to continue its dual coverage plan. Royal State indicated that it also wanted the right to requote or bid on whatever new plan design there might be for dual coverage.

5. MBAH-Chiropractic plan would continue to be bundled with the plan that was offered.

Trustee Miyahira asked for the recommendation of the consultant. Mr. Keowen stated that the first year is very simple, there is an offer to extend the others but behooves them to look at what HMSA would offer within a very short timeframe as proposed to make the plan more similar to PPO plan co-insurance right from the front end rather than this high deductible would not necessarily be attractive to most people unless they really needed the plan. There would be some co-insurance that was available which would still very heavily offset against the other plans that were in place for the individual that would provide some benefits.

Trustee Matayoshi asked if the Board goes with something that is very different from what was responsive from the past proposal, does the EUTF need to reprocur. Mr. Aburano stated that it is a possibility. However, he would look into whether reprocurement was necessary based on his understanding is that there were only two carriers (Royal State and HMSA) that were interested in bidding on this kind of plan and that there is no one else in the State that would be able to provide this kind of plan. If it is something completely different than what we have, the EUTF should at least go to those two and ask them to submit a proposal for some kind of dual coverage plan. Both indicated that it is highly preferable that there would be some conditions laid down as to what this new plan would be and set-up some parameters. However, the Board should decide preliminary to that, are you interested in going along with the Royal State proposal that they are willing to offer their current plan provided these two conditions are met: (1) that as a condition of eligibility, the employer for the employee-beneficiary pays 100% of the cost of the plan; and (2) that there be at least 2,500 people enrolled in the plan under these conditions. Discussion held by Trustees and staff regarding the recent offers from the carriers regarding the dual coverage plans and sending notices to everyone if the dual coverage plan is not going to continue. [Trustee Radcliffe left at 2:25 p.m.] Mr. Fukuhara asked that the Board consider the conditions that Royal State is asking for and said it is reasonable. Further discussion by the Trustees and staff regarding the time involved for the EUTF staff to develop a new proposal for a different dual coverage/supplemental plan.

Comments made by the public and carriers regarding the offering of different dual coverage/supplemental plan. [Trustee Awana left at 2:47 pm]

MOTION was made for the Board to authorize the Administrator to proceed forward with the information in the booklets "as is", notify employees that are attending early sessions of the possibility that the employer contribution may not cover the whole premium for dual coverage plans, wait until next week as to the results of the collective bargaining and based on these results assess whether or not to offer the dual coverage plans, notify everyone if the dual coverage medical, prescription drug, and chiropractic plans will not be offered and allow these people a method to sign up for HMSA or Kaiser, and if the collective bargaining is not resolved by next week, continue to notify everyone. (Miyake/Matayoshi) After discussion by the Trustees, the motion passed. (Employer Trustees-4Yes-Matayoshi, Miyahira, Awana, Hidano/Employee-Beneficiary Trustees-3 Yes-Machida, Miyake, Nakanelua, 1 No-Lewis)

Trustee Miyake clarified that the Board agreed with the negotiations that Mr. Keowen reached with all the carriers and assuming that the other carriers will continue the agreements and dental will be offered and everything is based on what happens on Royal State's plan, if they do not offer it then the chiropractic plan dies.

III. COMMITTEE REPORTS

A. ADMINISTRATIVE COMMITTEE

Trustee Matayoshi reported that an Administrative Committee meeting is scheduled for May 13, 1003 at 9:00 a.m., location to be announced.

B. RULES COMMITTEE

Vice-chair Hidano reported that a Rules Committee meeting is scheduled for tomorrow, April 23, 2003 at 11:00 a.m., SOT, room 203.

1. Regarding final draft of Administrative Rules (10/03/02)

- a. Memos from Mel Higa (10/15/02, 10/18/02, 10/23/02, 10/23/02, 10/25/02)
- b. Letters from Charles Khim (10/25/02, 2/4/03, 2/10/03)

MOTION was made for the Board to refer the memorandums from Mel Higa and letters from Charles Khim to the Rules Committee. (Matayoshi/Miyake) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

C. BENEFITS COMMITTEE: None

IV. OTHER REPORTS

A. ADMINISTRATOR

Mr. Fukuhara reported:

1. EUTF/PEHF Transition

a. Lease

Arrangements are still be finalized with DAGS. Parking in CFT is not available for \$60.00. Validation parking is being discussed with B&F and DAGS. [Trustee Machida left at 2:56 p.m.]

b. PEHF Liability

This issue will be discussed under the Administrative Committee. A memorandum will be sent to the Attorney General asking for a formal opinion on who is responsible for the liabilities of the PEHF. Discussion held by Trustees and staff regarding the PEHF liabilities.

c. Telephone Call Update

Overview by Mr. Fukuhara regarding telephone calls. The EUTF staff and voluntary help from retirees will handle all telephone calls. Discussion held by Trustees regarding concerns about 5 EUTF staff handling all calls and the possibility of hiring temporary staff to answer telephone calls. Mr. Fukuhara stated that the process for hiring would not be feasible due to the timing.

d. Payroll

The July 5th period will be charged to the EUTF. Discussion held by Trustees and staff regarding the transferring of funds for services.

e. HIPAA Readiness

The EUTF staff is working with Mr. Aburano in preparing HIPAA readiness.

f. ERS Board

The ERS Board asked the ERS Administrator why is the ERS staff doing PEHF work when they are behind in their own work. The ERS Board is going to request that the ERS staff discontinue doing PEHF work.

g. Communication Specialist Position

An approval is being submitted to the Governor for approval to fill the Communication Specialist position.

h. Imaging System Update

Overview by Mr. Fukuhara regarding the use of the imaging system for open enrollment. Mr. Fukuhara recommends that the Board approve for the EUTF to rent a fax machine for one month to receive open enrollment forms for the cost of \$2,230.00 not including tax and supplies with a maximum of 100,000 copies and anything over 100,000 will cost .04 cents per copy.

MOTION was made for the Board to authorize the administrator to lease a copy/facsimile machine for one month for the cost of \$2,230.00 plus tax, supplies, and if over 100,000 copies to pay .04 per copy.

(Matayoshi/Lewis) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

2. Open Enrollment Update

a. Letter from Mayor Kim

Mayor Kim approved for county employees to take off two hours to attend an open enrollment session. Verbal approvals have been received from Kauai and Maui counties. At this time, State employees do not have the time off.

b. Letter from DOE

DOE sent a letter regarding open enrollment sessions and their concerns about the time-off for DOE employees.

Discussion held by Trustees and staff regarding concerns that employees may have problems getting coverage on July 1, 2003. Mr. Fukuhara stated that a contingency plan may be worked out to extend open enrollment after May 31, 2003 but prefers to not apply unless necessary.

c. EUTF Request for Membership Information

HGEA and HSTA will not be able to provide membership information and copies of their letters are in the Trustees packets. The EUTF was able to get information from UHPA, SHOPO, UPW, and HFFA.

d. Benefit Plans Approved

Copies of benefit plans for active employees and retirees approved by the Board were in the Trustees packets. Discussion held by Trustees, staff, and consultant regarding changes made to the benefit plans for active employees and retirees and concerns about the lifetime maximum of 1 million for retirees. The administrator will confirm the life time maximum of 1 million for retirees.

e. Reference Guides

The reference guides for active employees and retirees are in the Trustees packet. Booklets will be distributed tomorrow and next week.

f. Open Enrollment Forms

Overview by Mr. Fukuhara regarding the completing of forms for open enrollment.

3. Letter from Direct Care Medical Plan

Mr. Fukuhara responded to Direct Care's letter regarding discount plans that the EUTF is not offering at this time.

4. Retirees CAP

Mr. Fukuhara informed the Board that there are 300-500 retirees who currently pay 50% of retiree premiums. A different cover letter will be in their packets informing them that additional information regarding their premium will be sent later. The EUTF interpretation in working with the deputy attorney general is that instead of 50% of the premium that the EUTF would apply 50% of the CAP set forth in the EUTF statute. This means that the 300-500 retirees, in some cases, would pay less than 50% of their premiums and, if they chose only dental and vision, they would not pay anything. If the Board has an issue that some of

these retirees may pay less than 50% of the premiums due to the CAP, action should be taken today.

MOTION was made for the Board to authorize the EUTF staff to send out a different cover letter and additional information regarding their premiums to retirees who pay 50% of the retiree premium. (Matayoshi/Nakanelua) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

5. COBRA

A meeting is scheduled this Thursday with carriers regarding COBRA.

6. Kaiser Multi-Site

A number of retirees residing on the mainland who are currently in Kaiser plans offered on the mainland will receive a different cover letter. Kaiser is assisting the EUTF to continue enrollment of Kaiser multi-site people on the mainland. In response to a question from the public, Mr. Fukuhara clarified that the employer will pay up to the CAP. In some cases where the premiums are over the CAP, the retiree will need to pay that portion. Discussion held by Trustees and staff regarding the CAP.

7. Medicare Part B Reimbursement

In the future, the Board will need to address the issue of increasing the Medicare Part B reimbursement above the current level of \$50. Mr. Aburano will review if the Board has the authority to approve an increase but stated that even if they have the authority the issue of funding the increase will need to be addressed.

8. Open Enrollment Schedule

The open enrollment schedule in the booklet has been updated. We are informing everyone to check the EUTF website for updated information. Discussion held by Trustees and staff regarding the assistance of PEHF staff. Mr. Fukuhara is not asking for their assistance at this time because of the PEHF close-out. The Trustees commended the EUTF staff for all the work done on a short timetable and limited resources.

B. DEPUTY ATTORNEY GENERAL: None

C. BENEFITS CONSULTANT

1. Impact on Rates if VEBA Trusts are Exempt from EUTF

Overview by Mr. Keowen regarding the study on the impact on rates if VEBA Trusts are exempt from EUTF. Initially Garner Consulting came up with an estimate of 3.5% and received an update from Kaiser for a range of 1% or 2% and have not received an estimate from HMSA and are revising their numbers to 2%.

Trustee Lewis expressed her concern what that estimate of 3.5% did at the legislature last week. Trustee Lewis stated that the open enrollment will be very problematic and will cost us in terms of our staff and beneficiaries. She cannot see how 5 EUTF staff will be able to run open enrollment, answer phone calls, respond to e-mail inquiries, process forms, and keep tabs on the various departments. Mr. Fukuhara stated that Alex Kagawa will be assisting with the open enrollment sessions and the ICSD will also assist. Discussion held by Trustees and staff regarding the concerns of hiring staff and other assistance in answering phone calls.

V. UNFINISHED BUSINESS: None

VI. NEW BUSINESS

A. Election of New Chair or Interim Chair
Deferred to the next Board meeting.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES:
None

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Administrative Committee meeting is scheduled for Tuesday, May 13, 2003, 9:00 a.m.

Rules Committee meeting is scheduled for tomorrow, April 23, 2003, 11:00 a.m.

Benefits Committee and Board will be scheduled at a later date on the same date.

IX. Executive Session: None

X. ADJOURNMENT

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

The meeting was adjourned at 4:23 p.m.

Respectfully submitted,

/s/

Katherine Thomason, Secretary-Treasurer

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

April 22, 2003 Minutes

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Documents Distributed:

1. Draft Minutes for 10/08/02. (11 pages)
2. Draft Minutes for 10/17/02. (15 pages)
3. Letter from Charles Khim dated October 25, 2002 Regarding Rules. (5 pages)
4. Letter from Charles Khim dated February 4, 2003 Regarding Rules. (4 pages)
5. Letter from Charles Khim dated February 10, 2003 Regarding Rules. (2 pages)
6. Letter from Melvin Higa dated October 15, 2002 Regarding Rules. (5 pages)
7. Letter from Melvin Higa dated October 18, 2002 Regarding Rules. (5 pages)
8. Letter from Melvin Higa dated October 23, 2002 Regarding Rules. (1 page)
9. Letter from Melvin Higa dated October 23, 2002 Regarding Rules. (2 pages)
10. Letter from Melvin Higa dated October 25, 2002 Regarding Rules. (9 pages)
11. Letter from Mayor Kim dated April 2, 2003 Regarding Open Enrollment. (1 page)
12. Letter from DOE dated March 31, 2003 Regarding Open Enrollment. (2 pages)
13. Letter from VEBAH dated April 11, 2003 Regarding Membership Information. (1 page)
14. Letter from HSTA VEBT dated April 14, 2003 Regarding Membership Information. (1 page)
15. EUTF Response to HSTA VEBT dated April 16, 2003. (1 page)
16. EUTF Benefit Plans for Active Employees. (7 pages)
17. EUTF Benefit Plans for Retirees. (6 pages)
18. Reference Guide for Active Employees Effective July 1, 2003. (35 pages)
19. Reference Guide for Retirees Effective July 1, 2003. (35 pages)
20. Sample Forms. (8 pages)
21. 2003 Open Enrollment Meeting Schedule Updated 4/21/03. (5 pages)
22. 2003 Open Enrollment Meeting Schedule Updated 4/21/03. (2 pages)
23. 2003 Open Enrollment Meeting Schedule for DOE Updated 4/21/03. (2 pages)
24. Letter from DirectCare Regarding Discount Plans dated April 10, 2003. (2 pages)
25. EUTF Response to DirectCare Regarding Discount Plans dated 4/21/03. (1 page)