CALL TO ORDER

The special meeting of the Board of Trustees was called to order at 9:03 a.m. by Trustee George Kahoohanohano, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, April 27, 2010.

Chair Kahoohanohano asked if there were any objections to amend the agenda to add under Unfinished Business and Executive Session “Contract Extension-Standard Insurance” – Approval (Executive Session). Objection made by Trustee J.N. Musto to add under Executive Session “Contract Extension-Standard Insurance”. There being no objections by the Trustees, the agenda is amended to add under Unfinished Business, item D. Contract Extension-Standard Insurance – Approval in public session.
II. REPORTS


[Trustee Laderta arrived at 9:06 am]. Discussion held by Trustees, Ms. Tonaki and the benefits consultant regarding clarification of the IBNR definition, total reserves as of January 2010 and the best estimate of when the EUTF could become insolvent.

Ms. Tonaki and Mr. Tam confirmed that the IBNR is incurred but not reported, meaning that the EUTF has that liability and is not a reserve to be used. Mr. Tam stated as January 31, 2010 the total unrestricted reserves was $7.2 million and believes there will be a drain on the IBNR if there is no rate action taken for July 1st. If the EUTF continues to have losses it would continue to deplete the unrestricted reserves. Claims are increasing constantly and the likelihood from July on is that the losses would be greater and that is why Aon is recommending an increase. Mr. Tam stated there is a timing issue that in order to get rates in place for July the Board would need to take immediate action now. It is difficult to give a specific date when the EUTF would lose the reserves. The EUTF would need 17.4% for the whole year.

Discussion held by Trustees and benefits consultant regarding using the IBNR. Mr. Tam stated that Aon does not recommend dipping into the IBNR because it is a liability that the EUTF already has. Ms. Tonaki continued her overview of the Combined Statement of Revenues and Expenses and Statement of Cash Flows. Ms. Tonaki stated that there is a 1.2 million gain and that there no other significant changes on the Combined Statement of Revenues and Expenses.

Overview by Ms. Tonaki regarding Experience Accounting of Self-Funded Plans that was distributed to Trustees. Discussion held by Trustees, Ms. Tonaki and benefits consultant regarding when the Board can expect to receive financial statements.

Ms. Tonaki stated the February financial statement should be ready at the end of this week. The financial statements are normally prepared a month later. Trustee Annis stated that Aon could not give information she requested regarding the 26.2% or 17.4% increase because they were waiting for financial information. Trustee Annis asked Aon even though they do not have the financial statement would they be able to provide trend information up until March 2010 and would Aon re-examine the rate increase based on current trends. Mr. Tam stated Aon did evaluate based on the claims data they received through March and have not made a change to their recommendation of 17.4%. In looking at the experience, the EUTF have not had enough months of the new plan and the transition of people going between HMSA and HMA to feel confident in revising the figures at this point.

B. Benefits Consultant

1. Fully-Insured Benefit Design Options for Active Plan Benefits and Rates

Effective 7/1/2010 through 6/30/2011

This item will be addressed in Executive Session.

Mr. Tam stated that most of the information was already given to the Trustees at prior meetings and gave an overview of the Plan Year 2010-2011 Renewal distributed to the Trustees today. Discussion held by Trustees and benefits consultant regarding rate increases, total premium costs and IBNR reserves. Trustee Annis stated the information of 26.2% presented today was also presented to the Board in the later part of the calendar year 2009 before the EUTF had the new information from January through March and wonders if Aon should re-examine based on current trends. Trustee Annis finds it hard for her to believe that the recommendation would be the same. Mr. Tamayo-Wilson stated that Aon’s position stills stands and as the EUTF consultant not only to provide adequate increases to the rates in order to pay claims and also to build up reserves to remain solvent for FY 2011. The further decisions are not made there could be claims activity coming up like last year and there may be a re-evaluation for January 2011. Discussion held by Trustees and benefits consultant regarding other alternatives and wellness programs offered by other States. Trustee Annis would like to see components of what makes up the 26.2% and 17.4% increases.

Discussion held by Trustees and benefits consultant regarding any other information the Trustees would need. Trustee Musto would like to know what the impact of adding 14,000 bargaining unit members to the Trust would the experience rating come with them along with dependents. Discussion held by Trustees, deputy attorney general and benefits consultant regarding letter to HSTA requesting information, send another letter to HSTA and recommendation to create an Investigation Committee to follow-up on questions and review of rates and concern that there will not be enough time for an Investigation Committee to meet. There being no objections by the Trustees, Trustees will e-mail questions for Aon to Ms. Sandi Yahiro by Tuesday, May 4, 2010 and Ms. Yahiro will cc: Chair when sending to Aon and to also defer this item until the next Board meeting. There being no objections by the Trustees, after the outcome of the VEBA bill, Ms. Sandi Yahiro will send a letter to HSTA requesting information.

3. Status on the EUTF’s Financial Condition

Mr. Tam stated that Trustee Ching asked for the status of the EUTF’s financial condition and that it was already covered. Trustee Ching stated yes it was covered.


Presentation by Mr. Tam (see Health Reform Overview). Discussion held by Trustees and benefits consultant regarding effective date of coverage for age 26.

Recessed at 10:45 a.m. and Reconvened at 10:56 a.m.
C. EUTF Acting Assistant Administrator Report

1. Dependent Eligibility Audit
   a. Update on Dependent Eligibility Audit

   b. Options for Finishing Dependent Eligibility Audit
      This item will be addressed in Executive Session.

   c. Amendment to Segal Contract
      This item will be addressed in Executive Session.

D. Deputy Attorney General

1. Authorization for the Hiring of Tax Counsel to Advise as to the EUTF’s Federal Tax-Qualified Status
   Mr. Suzuki stated because the Bank of Hawaii investment contract will be effectuated shortly there will be income derived from that investment. The bank is going to need a determination that the EUTF is a federal tax-exempt entity; otherwise the income will need to be reported to the IRS. The deputy attorney general recommends approval to authorize the Acting Assistant Administrator to seek assistance to hire a tax counsel to advise the EUTF its federal tax exempt status in regards to the EUTF investment. Discussion held by Trustees and deputy attorney general regarding any cost to the EUTF and if the Attorney General’s office can make a filing with the IRS. Mr. Suzuki stated that there will be a cost and that the Attorney General’s office does not a have tax expert.

   MOTION was made for the Board to approve the deputy attorney general’s recommendation to authorize the Acting Assistant Administrator to seek assistance to hire a tax counsel to advise the EUTF its federal tax exempt status in regards to the EUTF investment. (Shiraki/Annis) After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

2. Standard Insurance
   Mr. Suzuki stated that the renewal for the Standard Insurance contract was initially for Executive Session because of the Everson decision by the Supreme Court. Initially this matter was raised by Trustee Laderta saying that because it is a very insignificant and minimal policy and whether or not it should be cancelled. Mr. Suzuki stated his reading of Everson which basically said that accrued benefits cannot be diminished and although that was the general opinion of the Supreme Court we do not know what the ramification is going to be. What we are talking about here is a one-year extension of their contract. The Everson decision will be going back to the Circuit Court for further determination. At that point the EUTF would be in a better position to determine whether or not or how the courts are going to be interpreting what that accrued benefits provision is. Mr. Suzuki’s stated to be safe his recommendation is to extend the policy for
additional year and see what happens at the Circuit Court. Then if at that time the
Board wants to consider terminating the policy then the Board would have that
opportunity. Discussion held by Trustees and staff regarding the costs. The cost
is $4.16.

MOTION was made for the Board to approve the deputy attorney general’s
recommendation to extend Standard Insurance policy for an additional year.
(Perreira/Boyer) After discussion held by the Trustees, the motion passed
unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

E. Carrier
1. informedRx – Mail Order Update
   Mr. Fukuhara from Akamai Benefits Consultant stated that informedRx is a client
   and that he will represent informedRx today. Mr. Gregg Brucetta is also on-line
to answer any questions by the Trustees. Presentation by Mr. Fukuhara regarding
the EUTF prescription drug program savings (see report). Discussion held by
Trustees, benefits consultant and Mr. Fukuhara regarding savings for reference
based pricing, concerns regarding reference based pricing, coordination of
benefits, impact informedRx has on the local community, Times Pharmacy
offered on Oahu and not on the neighbor islands, why other pharmacies have not
been approached and if there appears to be a preference to one company.
Mr. Suzuki stated that the EUTF contract is with informedRx. Discussion held by
Trustees and Mr. Fukuhara regarding any additional costs to the EUTF, reference
based pricing and monthly COB reports. Mr. Fukuhara stated that there are no
additional costs to the EUTF; informedRx will provide data on referenced based
pricing and COB monthly reports.

III. UNFINISHED BUSINESS
A. Fully-Insured Benefit Design Options for Active Plan Benefits and Rates Effective
   7/1/2010 through 6/30/2011
   This item will be addressed in Executive Session.

B. Self-Funded Benefit Design Options for Active Plan Benefits and Rates Effective
   7/1/2010 through 6/30/2011
   This item was addressed during the Consultant’s report and is deferred.

C. Dependent Eligibility Audit-Amendment to Segal Contract
   This item will be addressed in Executive Session.

IV. NEW BUSINESS
A. Options for Finishing Dependent Eligibility Audit
   This item will be addressed in Executive Session.
B. Authorization for the Hiring of Tax Counsel to Advise as to the EUTF’s Federal Tax-Qualified Status
   This item was addressed during the Deputy Attorney General’s report.

C. Personnel
   This item will be addressed in Executive Session.

D. Special Open Enrollment
   No action taken.

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

VI. FUTURE AGENDA ITEMS AND NEXT MEETING DATE
   A. May 19, 2010 – Regular Board meeting

VII. EXECUTIVE SESSION
   MOTION was made to go into Executive Session at 11:50 a.m. for the reasons stated on
   the agenda. (Laderta/Annis) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)
   Executive Session adjourned at 1:15 p.m.
   The Chair reported that the Board has taken a personnel action in Executive Session.

VIII. ADJOURNMENT
   There being no objections by the Trustees, the meeting adjourned at 1:15 p.m.

Respectfully submitted,

/s/

George Kahoohanohano, Secretary-Treasurer

APPROVED on August 31, 2010 as amended.

Documents Distributed:
1. Memorandum to BOT from Aon Regarding April 2010 Benefit Consultant Report dated 4/22/10. (2 pages)
2. Health Reform Overview by Aon dated 4/27/10. (22 pages)
3. EUTF Statement of Net Assets (Unaudited) dated 4/17/10. (1 page)
4. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 7 Months Ended 1/31/10 (Unaudited) dated 4/16/10. (1 page)


6. 1Q’10 Prescription Drug Program Savings by informedRx dated 4/14/10. (7 pages)