

1 HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
2 Special Minutes of the Board of Trustees  
3 Tuesday, April 27, 2010  
4

5 TRUSTEES PRESENT

6 Mr. George Kahooohanohano, Chairperson Mr. Darwin Ching  
7 Mr. Stanley Shiraki, Secretary-Treasurer Ms. Marie Laderta (arrived at 9:06 am)  
8 Ms. Barbara Annis Dr. J.N. Musto  
9 Mr. Ron Boyer Mr. Randy Perreira

10  
11 TRUSTEES ABSENT

12 Mr. Bobby Lee, Vice Chairperson  
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14 ATTORNEY

15 Mr. Russell Suzuki, Deputy Attorney General  
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17 EUTF STAFF

18 Ms. Sandi Yahiro, Acting Assistant Administrator Ms. Joni Tamayo-Wilson, Consultant  
19 Ms. Maria Quarterero Mr. Rod Tam, Consultant  
20 Ms. Kathleen Shiroma  
21 Ms. Donna Tonaki  
22 Ms. Nicole Wong  
23

24 OTHERS PRESENT

25 Ms. Lynette Arakawa, HDS Ms. Doreen Kuroda, DHRD  
26 Ms. Sandra Benevides, Kaiser Permanente Mr. Blasé Liu, Royal State  
27 Ms. Monica Engle, VSP Mr. Michael Moss, Kaiser Permanente  
28 Mr. Mark Fukuhara, Akamai Benefit Mr. Harris Nakamoto, HMA  
29 Ms. Susan Goya, HGEEA-R Mr. Lawrence Nishihara, Akamai Benefit  
30 Ms. Wendy Hamada, HMA Mr. Tony Saguibo, HMSA  
31 Mr. Todd Inafuku, Longs Drugs Mr. Phil Takaba, HMSA  
32 Ms. Bonny Kahalewai, Standard Insurance Ms. Jennifer Tobin, C&C/DHR  
33 Mr. Jim Kelly, Secova Ms. Valerie Trechter, Kaiser Permanente  
34 Ms. Ruth Kim, HSRTA Ms. MaryAnne Watson, Segal  
35 Ms. Alice Kotake, HSTA-R Mr. Gregg Wiles, Advertiser  
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38 I. CALL TO ORDER

39 The special meeting of the Board of Trustees was called to order at 9:03 a.m. by  
40 Trustee George Kahooohanohano, Chairperson, in EUTF Conference Room, 201  
41 Merchant Street, Honolulu, Hawaii, on Wednesday, April 27, 2010.  
42

43 Chair Kahooohanohano asked if there were any objections to amend the agenda to add  
44 under Unfinished Business and Executive Session “Contract Extension-Standard  
45 Insurance” – Approval (Executive Session). Objection made by Trustee J.N. Musto to  
46 add under Executive Session “Contract Extension-Standard Insurance”. There being no  
47 objections by the Trustees, the agenda is amended to add under Unfinished Business,  
48 item D. Contract Extension-Standard Insurance – Approval in public session.  
49

1  
2 **II. REPORTS**

3 **A. Financial Report as of January 31, 2010**

4 Overview by Ms. Tonaki regarding the Financial Report as of January 31, 2010.  
5 [Trustee Laderta arrived at 9:06 am]. Discussion held by Trustees, Ms. Tonaki and  
6 the benefits consultant regarding clarification of the IBNR definition, total reserves as  
7 of January 2010 and the best estimate of when the EUTF could become insolvent.  
8 Ms. Tonaki and Mr. Tam confirmed that the IBNR is incurred but not reported,  
9 meaning that the EUTF has that liability and is not a reserve to be used. Mr. Tam  
10 stated as January 31, 2010 the total unrestricted reserves was \$7.2 million and  
11 believes there will be a drain on the IBNR if there is no rate action taken for July 1st.  
12 If the EUTF continues to have losses it would continue to deplete the unrestricted  
13 reserves. Claims are increasing constantly and the likelihood from July on is that the  
14 losses would be greater and that is why Aon is recommending an increase. Mr. Tam  
15 stated there is a timing issue that in order to get rates in place for July the Board  
16 would need to take immediate action now. It is difficult to give a specific date when  
17 the EUTF would lose the reserves. The EUTF would need 17.4% for the whole year.  
18 Discussion held by Trustees and benefits consultant regarding using the IBNR. Mr.  
19 Tam stated that Aon does not recommend dipping into the IBNR because it is a  
20 liability that the EUTF already has. Ms. Tonaki continued her overview of the  
21 Combined Statement of Revenues and Expenses and Statement of Cash Flows. Ms.  
22 Tonaki stated that there is a 1.2 million gain and that there no other significant  
23 changes on the Combined Statement of Revenues and Expenses.

24  
25 Overview by Ms. Tonaki regarding Experience Accounting of Self-Funded Plans that  
26 was distributed to Trustees. Discussion held by Trustees, Ms. Tonaki and benefits  
27 consultant regarding when the Board can expect to receive financial statements.  
28 Ms. Tonaki stated the February financial statement should be ready at the end of this  
29 week. The financial statements are normally prepared a month later. Trustee Annis  
30 stated that Aon could not give information she requested regarding the 26.2% or  
31 17.4% increase because they were waiting for financial information. Trustee Annis  
32 asked Aon even though they do not have the financial statement would they be able  
33 to provide trend information up until March 2010 and would Aon re-examine the rate  
34 increase based on current trends. Mr. Tam stated Aon did evaluate based on the  
35 claims data they received through March and have not made a change to their  
36 recommendation of 17.4%. In looking at the experience, the EUTF have not had  
37 enough months of the new plan and the transition of people going between HMSA  
38 and HMA to feel confident in revising the figures at this point.

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40 **B. Benefits Consultant**

- 41 1. Fully-Insured Benefit Design Options for Active Plan Benefits and Rates  
42 Effective 7/1/2010 through 6/30/2011

43 This item will be addressed in Executive Session.  
44

1                   2. Self-Funded Benefit Design Options for Active Plan Benefits and Rates Effective  
2                   7/1/2010 through 6/30/2011

3                   Mr. Tam stated that most of the information was already given to the Trustees at  
4                   prior meetings and gave an overview of the Plan Year 2010-2011 Renewal  
5                   distributed to the Trustees today. Discussion held by Trustees and benefits  
6                   consultant regarding rate increases, total premium costs and IBNR reserves.  
7                   Trustee Annis stated the information of 26.2% presented today was also  
8                   presented to the Board in the later part of the calendar year 2009 before the EUTF  
9                   had the new information from January through March and wonders if Aon should  
10                  re-examine based on current trends. Trustee Annis finds it hard for her to believe  
11                  that the recommendation would be the same. Mr. Tamayo-Wilson stated that  
12                  Aon's position stills stands and as the EUTF consultant not only to provide  
13                  adequate increases to the rates in order to pay claims and also to build up reserves  
14                  to remain solvent for FY 2011. The further decisions are not made there could be  
15                  claims activity coming up like last year and there may be a re-evaluation for  
16                  January 2011. Discussion held by Trustees and benefits consultant regarding  
17                  other alternatives and wellness programs offered by other States. Trustee Annis  
18                  would like to see components of what makes up the 26.2% and 17.4% increases.  
19                  Discussion held by Trustees and benefits consultant regarding any other  
20                  information the Trustees would need. Trustee Musto would like to know what the  
21                  impact of adding 14,000 bargaining unit members to the Trust would the  
22                  experience rating come with them along with dependents. Discussion held by  
23                  Trustees, deputy attorney general and benefits consultant regarding letter to  
24                  HSTA requesting information, send another letter to HSTA and recommendation  
25                  to create an Investigation Committee to follow-up on questions and review of  
26                  rates and concern that there will not be enough time for an Investigation  
27                  Committee to meet. There being no objections by the Trustees, Trustees will  
28                  e-mail questions for Aon to Ms. Sandi Yahiro by Tuesday, May 4, 2010 and  
29                  Ms. Yahiro will cc: Chair when sending to Aon and to also defer this item until  
30                  the next Board meeting. There being no objections by the Trustees, after the  
31                  outcome of the VEBA bill, Ms. Sandi Yahiro will send a letter to HSTA  
32                  requesting information.

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34                  3. Status on the EUTF's Financial Condition

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

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39                  4. Report on New Federal Health Legislation-Impact to EUTF

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

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43                  Recessed at 10:45 a.m. and Reconvened at 10:56 a.m.  
44

1 C. EUTF Acting Assistant Administrator Report

2 1. Dependent Eligibility Audit

3 a. Update on Dependent Eligibility Audit

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5 b. Options for Finishing Dependent Eligibility Audit

6 This item will be addressed in Executive Session.

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8 c. Amendment to Segal Contract

9 This item will be addressed in Executive Session.

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11 D. Deputy Attorney General

12 1. Authorization for the Hiring of Tax Counsel to Advise as to the EUTF's Federal  
13 Tax-Qualified Status

14 Mr. Suzuki stated because the Bank of Hawaii investment contract will be  
15 effectuated shortly there will be income derived from that investment. The bank  
16 is going to need a determination that the EUTF is a federal tax-exempt entity;  
17 otherwise the income will need to be reported to the IRS. The deputy attorney  
18 general recommends approval to authorize the Acting Assistant Administrator to  
19 seek assistance to hire a tax counsel to advise the EUTF its federal tax exempt  
20 status in regards to the EUTF investment. Discussion held by Trustees and  
21 deputy attorney general regarding any cost to the EUTF and if the Attorney  
22 General's office can make a filing with the IRS. Mr. Suzuki stated that there will  
23 be a cost and that the Attorney General's office does not have a tax expert.

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

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32 2. Standard Insurance

33 Mr. Suzuki stated that the renewal for the Standard Insurance contract was  
34 initially for Executive Session because of the Everson decision by the Supreme  
35 Court. Initially this matter was raised by Trustee Laderta saying that because it is  
36 a very insignificant and minimal policy and whether or not it should be cancelled.  
37 Mr. Suzuki stated his reading of Everson which basically said that accrued  
38 benefits cannot be diminished and although that was the general opinion of the  
39 Supreme Court we do not know what the ramification is going to be. What we  
40 are talking about here is a one-year extension of their contract. The Everson  
41 decision will be going back to the Circuit Court for further determination. At that  
42 point the EUTF would be in a better position to determine whether or not or how  
43 the courts are going to be interpreting what that accrued benefits provision is.  
44 Mr. Suzuki's stated to be safe his recommendation is to extend the policy for

1 additional year and see what happens at the Circuit Court. Then if at that time the  
2 Board wants to consider terminating the policy then the Board would have that  
3 opportunity. Discussion held by Trustees and staff regarding the costs. The cost  
4 is \$4.16.  
5

6 MOTION was made for the Board to approve the deputy attorney general's  
7 recommendation to extend Standard Insurance policy for an additional year.  
8 (Perreira/Boyer) After discussion held by the Trustees, the motion passed  
9 unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)  
10

11 E. Carrier

12 1. informedRx – Mail Order Update

13 Mr. Fukuhara from Akamai Benefits Consultant stated that informedRx is a client  
14 and that he will represent informedRx today. Mr. Gregg Brucetta is also on-line  
15 to answer any questions by the Trustees. Presentation by Mr. Fukuhara regarding  
16 the EUTF prescription drug program savings (see report). Discussion held by  
17 Trustees, benefits consultant and Mr. Fukuhara regarding savings for reference  
18 based pricing, concerns regarding reference based pricing, coordination of  
19 benefits, impact informedRx has on the local community, Times Pharmacy  
20 offered on Oahu and not on the neighbor islands, why other pharmacies have not  
21 been approached and if there appears to be a preference to one company.  
22 Mr. Suzuki stated that the EUTF contract is with informedRx. Discussion held by  
23 Trustees and Mr. Fukuhara regarding any additional costs to the EUTF, reference  
24 based pricing and monthly COB reports. Mr. Fukuhara stated that there are no  
25 additional costs to the EUTF; informedRx will provide data on referenced based  
26 pricing and COB monthly reports.  
27

28 III. UNFINISHED BUSINESS

29 A. Fully-Insured Benefit Design Options for Active Plan Benefits and Rates Effective  
30 7/1/2010 through 6/30/2011

31 This item will be addressed in Executive Session.  
32

33 B. Self-Funded Benefit Design Options for Active Plan Benefits and Rates Effective  
34 7/1/2010 through 6/30/2011

35 This item was addressed during the Consultant's report and is deferred.  
36

37 C. Dependent Eligibility Audit-Amendment to Segal Contract

38 This item will be addressed in Executive Session.  
39

40 IV. NEW BUSINESS

41 A. Options for Finishing Dependent Eligibility Audit

42 This item will be addressed in Executive Session.  
43

1 B. Authorization for the Hiring of Tax Counsel to Advise as to the EUTF's Federal Tax-  
2 Qualified Status

3 This item was addressed during the Deputy Attorney General's report.  
4

5 C. Personnel

6 This item will be addressed in Executive Session.  
7

8 D. Special Open Enrollment

9 No action taken.  
10

11 V. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES:  
12 None  
13

14 VI. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

15 A. May 19, 2010 – Regular Board meeting  
16

17 VII. EXECUTIVE SESSION

18 MOTION was made to go into Executive Session at 11:50 a.m. for the reasons stated on  
19 the agenda. (Laderta/Annis) The motion passed unanimously. (Employer Trustees-  
20 5/Employee-Beneficiary Trustees-3)  
21

22 Executive Session adjourned at 1:15 p.m.  
23

24 The Chair reported that the Board has taken a personnel action in Executive Session.  
25

26 VIII. ADJOURNMENT

27 There being no objections by the Trustees, the meeting adjourned at 1:15 p.m.  
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30 Respectfully submitted,  
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32  
33 /s/  
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36 George Kahoohanohano, Secretary-Treasurer  
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38 APPROVED on August 31, 2010 as amended.  
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40 Documents Distributed:

- 41 1. Memorandum to BOT from Aon Regarding April 2010 Benefit Consultant Report dated  
42 4/22/10. (2 pages)
- 43 2. Health Reform Overview by Aon dated 4/27/10. (22 pages)
- 44 3. EUTF Statement of Net Assets (Unaudited) dated 4/17/10. (1 page)

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- 1        4. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison
- 2        7 Months Ended 1/31/10 (Unaudited) dated 4/16/10. (1 page)
- 3        5. EUTF Statement of Cash Flows 7 Months Ended 1/31/1009 (Unaudited) dated 4/17/10.
- 4        (1 page)
- 5        6. 1Q'10 Prescription Drug Program Savings by informedRx dated 4/14/10. (7 pages)