

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Special Meeting of the Board of Trustees
Tuesday, April 28, 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 (left 10:08 am)
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. Mark Fukuhara, Consultant
Ms. Joni Tamayo-Wilson, Consultant

OTHERS PRESENT

Ms. Lynette Arakawa, HDS
Ms. Nikki Bassett, NMHC
Ms. Irene Bayudan, VSP
Ms. Sandra Benevides, Kaiser Permanente
Ms. Monica Engle, VSP
Ms. Elaine Fujiwara, HDS
Ms. Venus Gabuyo RSN
Ms. Susan Goya, HGEA

Ms. Vanelle Hirayasu, HMA
Mr. Clark Hirens, C&C Hnl
Ms. Bonny Kahalewai, Standard Insurance
Ms. Jean Kashiwaeda, DHRD
Ms. Doreen Kuroda, DHRD
Mr. Michael Moss, Kaiser Permanente
Ms. Celeste Nip, HFFA
Mr. Rod Tam, HMSA

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 Tuesday, April 28, 2009.

MOTION was made for the Board to approve to amend the agenda to respond to the request from Representative Rhoads and Senator Takamine to waive attorney client privilege to be placed under new business and addressed in Executive Session. (Radcliffe/Daeufer) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

II. SPECIAL ORDER OF BUSINESS

Dispute Resolution – Mediation Conducted by Federal Mediator Regarding All Agenda Items

MOTION was made to go into Executive Session at 9:04 a.m. for purposes of mediation. (Annis/Radcliffe) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Executive Session recessed and Board meeting reconvened at 10:08 a.m. [Trustee Radcliffe left at 10:08 a.m.]

III. OTHER REPORTS: None

IV. UNFINISHED BUSINESS

A. Self-Funded Plans Rates and Benefits Effective 7/1/09
Trustee Annis stated her motion.

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: | \$700 in-network \$1400 out-of-network |
| Co-insurance: | 80% in-network 70% out-of-network |
| Out-of-pocket max: | \$3,000 per person per year \$9,000 per family per year |
| Lifetime Max: | \$1,000,000/\$10,000 annual renewal |
| Rx: | \$5/\$15/\$30 (IN) |
| 3-Tier Structure (Generic/ Preferred Brand Name/Other Brand Name | \$5+20%/\$15+20%/\$30+20% (OON) |
| | \$10/\$35/\$60 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 retirees for the plan years 2009-2010 and 2010-2011, effective July 1, 2009. (Annis/Ching)

Discussion held by Trustees and staff regarding if this is tying the actives and retirees into one motion. Trustee Annis stated yes. Discussion held by Trustees regarding concerns that this motion describes benefits for actives but no supplemental information that retirees' benefits will remain the same. Trustee Annis clarified that

this motion addresses only self-funded medical and prescription drug plans and does not take anything away from the retirees.

MOTION restated 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: | \$700 in-network \$1400 out-of-network |
| Co-insurance: | 80% in-network 70% out-of-network |
| Out-of-pocket max: | \$3,000 per person per year \$9,000 per family per year |
| Lifetime Max: | \$1,000,000/\$10,000 annual renewal |
| Rx: | \$5/\$15/\$30 (IN) |
| 3-Tier Structure (Generic/ Preferred Brand Name/Other Brand Name | \$5+20%/\$15+20%/\$30+20% (OON) \$10/\$35/\$60 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 retirees for the plan years 2009-2010 and 2010-2011, effective July 1, 2009. After discussion by the Trustees, the motion failed. (Employer Trustees-5 YES-Annis, Boyer, Ching, Laderta, Shiraki/Employee-Beneficiary Trustees-4 NO-Daeufer, Fujio, Ho, Kahooahanohano, EXCUSED-Radcliffe)

MOTION was made for the Board to approve that the administrator and benefits consultant work out the extension of current self-funded benefit plans from month to month for actives and retirees. (Shiraki/Annis)

Discussion held by Trustees, staff and benefits consultant regarding extending current benefit plans month to month for three (3) months. Mr. Fukuhara stated one thing mentioned in the administrator's memorandum, as time passes and people turn in their forms, one of the impacts is that there are certain deadlines to submit information to hit payroll in time to make deductions. It would be helpful if the Board considers three (3) month extensions for fully-insured benefit plans or negotiate benefits for that period that would maintain the rates as current. If people stay in the plans they have now, it won't impact their deductions. The benefits for those carriers that are

requesting rate increases would be reduced slightly. Discussion held by Trustees, staff and benefits consultant regarding making some consideration for benefits and rates in the interim. Mr. Williams stated for instance the Board could make the same motion temporarily for one, two or three months for self-funded benefit plans but it would still need approval of the Board. It is not something the administrator or the benefits consultant could do. The EUTF does not need approval of the plan administrators, just the approval of the Board. Discussion held by Trustees, staff and benefits consultant regarding some of the options for the self-funded plans. Mr. Fukuhara stated his personal recommendation for the Board to consider because of the impact on payroll deductions is to come back with the plan design for the actives that result in no change in the current rates. Trustee Shiraki stated a motion was made by Trustee Annis earlier but failed and cannot see Trustees voting for Mr. Fukuhara's recommendation because it is similar to the earlier motion. That is why he is saying extend the current benefit plans that may be viable to both sides at this point. Chair Laderta stated by law, this Board has a fiduciary responsibility to provide benefit plans by July 1, 2009 and asked Mr. Suzuki to confirm if that is correct. Mr. Suzuki stated he can confirm that under the EUTF statutes that the Board has an obligation to provide a health benefit plan to the employees. There is also another part of the statute that talks about affordability of the plan as well in Chapter 87A(15). In general, you have to have a plan available to the employees beginning July 1, 2009. Chair Laderta asked Mr. Suzuki to explain why Chapter 87A(15) is relevant. Mr. Suzuki stated it means when the Board exercises their fiduciary responsibility they must take into consideration costs as a factor. It must be balanced for both parties. Discussion held by Trustees, staff and benefits consultant regarding time period of the extension. Mr. Williams stated from the staff's perspective it would be better for a three (3) month extension. From the Board's perspective, if the Board approves for one (1) month then they would have to come back and extend another month if no permanent decisions are made. Ultimately, it is the Board's decision. Discussion held by Trustees and staff regarding employer contributions the Office of Collective Bargaining must approve. Discussion held by Trustees and staff regarding when rates can be ready. Mr. Williams stated that information can be provided by Friday, May 1, 2009, if the Trustees prefer to meet soon. Trustee Ho wants to clarify that this motion is just to direct the administrator and benefits consultant to get the rates for the Trustees' review and consideration. Chair Laderta stated this motion is to extend the current self-funded benefit plans from month to month for actives and retirees. Mr. Williams stated he thinks the Trustees know the parameters that will be presented to the Board. Starting with the 29.4%, subtracting some things that were already identified. Mr. Williams has the sense that the Trustees are willing to go with the 80% confidence level which will reduce the margin for rebuilding reserves by 2%, from 5% to 3%. Later in this meeting, Mr. Fukuhara will present some reductions based on proposals from NMHC. He will be able to show the rates with or without a couple of those. If the Board passes this motion today, you are saying at least for one month benefits are going to be approved. The rates are going to be increased by a certain amount but the exact

nature of that depends on a couple of these decisions. You are going to have a rate increase of approximately 24% and the Trustees will be able to pick and choose certain details of that at the next meeting. Mr. Williams stated he does not feel the Board is going that much on the limb unless the Board does not agree with this approach at all. Mr. Williams stated just so assumptions are not made, if this motion passes, he will not be recommending a full blown open enrollment.

MOTION restated for the Board to approve that the administrator and benefits consultant work out the extension of current self-funded benefit plans from month to month for actives and retirees. After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-beneficiary Trustees-4)

- 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. Request for Proposal – Eligibility Audit
This item will be addressed in Executive Session.

V. NEW BUSINESS

- A. Revised Open Enrollment Dates
Overview by Mr. Williams regarding revised open enrollment dates. Mr. Williams stated, at this point, the revised dates are no longer viable. The administrator recommends that the Board take action to cancel the approved dates. When decisions are made, then the administrator will recommend that the open enrollment period be set for the four-week period beginning four weeks from the date decisions are finalized by the Board (see memorandum to BOT dated 4/22/09). Discussion held by Trustees, staff and benefits consultant regarding contract extensions. Mr. Williams stated that the contract extensions for fully insured plans will be addressed in Executive Session. For self-funded plans, contract extensions are not needed, only decisions need to be made by the Board. Discussion held by Trustees and staff regarding not having a full open enrollment session until decisions is made. The EUTF can hold a special open enrollment to address hardship issues and authorize the administrator to make those changes.

MOTION was made for the Board to approve the administrator's recommendation to cancel the previously approved open enrollment dates for the period May 18, 2009 – June 12, 2009. (Dauefer/Fujio) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

- B. Aon Supplemental Contract for Open Enrollment Support – Reissuance
This item will be addressed in Executive Session.

C. InformedRx (NMHC) Contract Revision

This item will be addressed in Executive Session.

D. InformedRx (NMHC) Clinical and Cost Reduction Recommendations

Background and overview by Mr. Fukuhara regarding InformedRx (NMHC) clinical and cost reduction recommendations.(see Aon's letter dated 4/28/09). Aon is recommending that the Board approve effective July 1, 2009, options: (1) mandatory maintenance drug mail order program; (2) reference based pricing; and (4) specialty drug tier (tier 4) which includes adding a \$2,000 annual out-of-pocket maximum per person for specialty drugs. Left out is the option involving change in co-payment. If the board wants to change co-payments, then the Board should do one of the three options Aon offered as they keep the relationship between generic and brand more consistent. Discussion held by Trustees, staff and benefits consultant regarding how much research was done on the mandatory mail order program in the remote areas of the outer islands. Mr. Fukuhara stated informedRx would use the most efficient way of getting prescription drugs to those participants residing in remote areas. If someone needs a medication immediately there are ways to get approval to fill locally through their pharmacy. Aon did check the references provided by informedRx on other large accounts and got positive feedback on their experiences. Discussion held by Trustees, staff and benefits consultant regarding if they mailed prescriptions to remote areas like Kau. The concerns are about people in the outside districts not being able to get their prescriptions in a timely basis. Trustee Kahooohanohano wants answers by someone if they did contact people in remote areas and asked if they had any problems. Discussion held by Trustees that you can order prescriptions two months ahead of time and it was mentioned at the time of the presentation that you will be able to go to the pharmacy three (3) times before you must order through the mail order program. Ms. Bassett stated she understands the concerns and she actually had a situation with a member that lived out of the area on the Big Island. The informedRx air mail order carrier can deliver to street addresses. informedRx is working with the mail order employees as well as the carriers not only to put in RR addresses but also street addresses. For the mail order program itself, it only applies to maintenance medications and the first three (3) fills can be done at a retail pharmacy because they want to make sure the person is stabilized on the medication first. Refills are available after 60% of your medication is used. In a dire situation, informedRx would be able to do an emergency override to allow a participant to go to a local retail pharmacy. The member is responsible for the co-payment, if their order never reached them, it would be credited back to them. Trustee Kahooohanohano expressed his concern that he asked these questions at prior meetings and no one answered him. Discussion held by Trustees and Ms. Bassett regarding dual coverage for the mail order program. Ms. Bassett stated dual coverage is not adjudicated or processed online. Secondary payment would need to be sent in on a paper claim dependent on whoever the carrier is.

MOTION was made for the Board to approve Aon's recommendations effective July 1, 2009, options: (1) mandatory maintenance drug mail order program; (2) reference based pricing; (4) specialty drug tier (tier 4) which includes adding a \$2,000 annual out-of-pocket maximum per person for specialty drugs (see Aon's letter to BOT dated 4/28/09). (Shiraki/Daeufer) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

E. Procurement of Claim Audit Services for Self-Funded Medical and/or Prescription Drug Plans

Background and overview by Mr. Fukuhara regarding the procurement of claim audit services for self-funded medical and/or prescription drug plans. Recommendation by benefits consultant to initiate procurement of claim audit services for the self-funded prescription drug plans. Mr. Fukuhara stated that if an RFP is issued, Aon would be interested in submitting a proposal, so would not be involved in preparing an RFP. If the Board directs Aon to prepare the RFP, then Aon would not submit a proposal. Mr. Williams clarified that this motion would direct staff to work on the RFP and come back to the Board for approval. Discussion held by Trustees and staff whether this claim audit needs to be done every year. Mr. Williams stated the EUTF plans to budget for every year and the advice is that the EUTF should do a claims audit every year or every other year. The EUTF may alternate between prescription drugs and medical.

MOTION was made for the Board to approve to accept the benefits consultant's recommendation to initiate procurement of claim audit services for the self-funded prescription drug plans. (Kahoohanohano/Daeufer) After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

F. Procurement of Pharmacy Benefit Manager

There being no objections by the Trustees, this item is deferred pending the outcome of discussions with informedRx and the findings of the claims audit.

G. Procurement of Insured Medical Plans

1. Request Delegation of Authority from CPO to Expedite
2. Request Waiver by CPO of Section 103D-307

Mr. Williams summarized letter from Mr. Randy Perreira, Executive Director of HGEA. Mr. Russell Suzuki stated this is not a possibility for the Board to expedite or explore for two reasons: (1) if the EUTF got an exception to do an emergency procurement, you would not know what to procure because the benefits have not been determined by the Board yet. The Board would not be able to go out and solicit; and (2) the procurement statute talks about by reason of a major natural disaster, epidemic, riot, fire, or such reason as may be determined by the head of the purchasing agency. The statute contemplates

some kind of natural disaster situation not something that triggers the cause by inaction on the Board for not making a decision. Discussion held by Trustees and staff regarding a response to the individual. Mr. Williams stated he would basically say the Board considered this and based on the recommendation of counsel, the Board would decline to take the requested action. Chair Laderta suggested that instead of saying decline, to say under the advice of counsel we are in no position to comply with the request.

H. Waiver of Attorney-Client Privilege

Mr. Williams stated that this is a request from Representative Rhoads and Senator Takamine to waive privilege on a certain issue that was addressed in a letter from the Attorney General. Those people who received the public packets on the answers to Trustee Radcliffe's questions, some of those questions were referred to the Attorney General. This item will be addressed in Executive Session.

VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

- A. Letter from Randy Perreira, Executive Director, HGEA, dated 4/22/09
This item was addressed under new business.

VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

- A. May 20, 2009 – Regular Board meeting.

Chair Laderta announced that this meeting will recess and reconvene on Friday, May 1, 2009 at 9:00 a.m. for purposes of reviewing rates and extension of self-funded and fully-insured benefit plans.

VIII. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 11:22 a.m. for the reasons stated on the agenda. (Kahooahano/Fujio) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

The Executive Session recessed and will reconvene on May 1, 2009.

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

1. Approval of extension of fully insured benefit plans for three (3) months pending confirmation of rates at May 1, 2009 meeting for Kaiser and HDS
2. Deferred Dependent Eligibility Verification Audit Pending Preparation of RFP.
3. No Action on the Aon Supplemental Contract.
4. Directed the Consultant to Continue Negotiations with informedRx.
5. Declined to Waive Attorney-Client Privilege and Refer to Deputy Attorney General Suzuki for Direct Response.
6. A Motion to Issue an RFP for Prescription Drugs did not pass.

MOTION was made for Board to approve to recess and reconvene Special Board meeting on Friday, May 1, 2009 at 9:00 a.m. in the EUTF conference room. (Boyer/Fujio) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Documents Distributed:

1. Memorandum to BOT from Administrator regarding 2009 Active Open Enrollment dated 4/22/09. (3 pages)
2. Letter to BOT from Aon regarding informedRx (NMHC) Clinical and Cost Reduction Savings Impact to Rate Structure. (1 page)
3. Letter to Chair Laderta from HGEA regarding expediting procurement for alternative medical plan dated 4/22/09. NOTE: Sections 103D-208 and 103D-307 provided for reference by the EUTF. (4 pages)
4. Letter to Representative Rhoads and Senator Takamine regarding questions answered by Attorney General's office to the EUTF from Deputy Attorney General Russell Suzuki dated 4/9/09. (4 pages)
5. Article "Eye Care Checkups Tied to Insurance Status" provided by Monica Engle at VSP on 4/20/09. (1 page)
6. Article "Stressed Americans postpone healthcare" dated 4/20/09. (2 pages)

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Special Meeting of the Board of Trustees
RECONVENED – Friday, May 1, 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. Stanley Shiraki

TRUSTEES ABSENT

Mr. John Radcliffe

ATTORNEY

Ms. Robyn Chun, Deputy Attorney General

EUTF STAFF

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

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

OTHERS PRESENT

Ms. Lynette Arakawa, HDS
Ms. Monica Engle, VSP
Ms. Elaine Fujiwara, HDS
Ms. Venus Gabuyo RSN
Ms. Susan Goya, HGEA
Ms. Vanelle Hirayasu, HMA
Ms. Bonny Kahalewai, Standard Insurance
Ms. Jean Kashiwaeda, DHRD
Mr. Jack Kitahira, HGEA-R

Ms. Wanda Kimura, B&F
Ms. Doreen Kuroda, DHRD
Mr. Michael Moss, Kaiser Permanente
Ms. Celeste Nip, HFFA
Ms. Gertrude Nitta, HGEA-R
Ms. Michelle Tamaye, ATPA
Mr. Rod Tam, HMSA
Ms. Jennifer Tobin, C&C-Human Resources
Ms. Valerie Trechter, Kaiser Permanente

I. CALL TO ORDER

The special meeting of the Board of Trustees reconvened at 9:05 a.m. by Trustee Marie Laderta, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Friday, May 1, 2009.

Chair Laderta announced that Deputy Attorney General Robyn Chun is sitting in for Deputy Attorney General Russell Suzuki.

MOTION was made to go into Executive Session at 9:06 a.m. for the reasons stated on the agenda. (Ching/Annis) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

Executive Session recessed.

IV. UNFINISHED BUSINESS

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

Overview by Mr. Fukuhara regarding Aon's memorandum to Board regarding rate increase adjustments for a month-to-month extension effective July 1, 2009.

Chart for Option 1 for Actives

Mr. Fukuhara summarized chart based on Option 1 for actives. Mr. Williams clarified that the action today would be on the far right hand column in which the upper and lower is the same amount. The displays are for the Board to get some perspective, depending on OCB advising us what the figures might look like. The approval is not for that but for the total rates. Mr. Fukuhara stated that if the Board approves this, it will also include adjustment of the administrative fees so the overall premium for each tier ends in even cents. Mr. Williams stated the motion will include making minor adjustments to the administrative fees. Discussion by Trustees, staff and benefits consultant some totals in the lower right hand column are incorrect (figures in EUTF HMSA HDHP and EUTF HMSA Supplemental) and should it be the same as the upper right hand column. Mr. Kindy stated that the version provided by Aon is incorrect and confirmed that figures should be the same as the upper right hand column.

Chart for Option 2 for Actives (not approved)

Mr. Williams stated he asked Aon to provide chart on Option 2 for actives and understands clearly that Option 2 was not approved or requested by the Board. They wanted to be prepared if the subject came up in this meeting, regarding concern in the total increase in rates under Option 1. There was a lot of discussion in the last three months on the prevalent plan in the community. It is here for the Board's consideration if they want to approve that option; otherwise the Board may approve Option 1. Trustee Annis stated that Option 2 does not have that much difference and may not be worth considering. It would just cause more confusion for the employees.

Chart for Retirees (Extension Option 1)

Overview by Mr. Fukuhara regarding the chart for retirees (extension option 1). Mr. Williams stated these are with the 15.1% adjustment.

Discussion held by Trustees, staff and benefits consultant regarding the percentage change for the eligibility rule change that was 1% and how it would affect when the rule becomes effective. Mr. Fukuhara stated the 1% was assuming the eligibility rule change would start July 1st and we would have the savings from July 1st. Mr. Fukuhara stated the rule change will be effective October 1, 2009 in the second quarter, so the impact would be $\frac{3}{4}$ of 1% (.75%). Discussion held by Trustees, staff

and benefits consultant regarding if the eligibility audit has the same effect as the rule change and if it would be minus 2%. Mr. Fukuhara stated given the assumption that Aon would conduct the audit using a documentation model and complete the audit by October 1, then 2% savings is correct. For estimation purposes, if whoever is awarded the contract follows the same documentation model and methodology Aon normally does, that was the estimate that Aon had given. The estimate was given assuming the audit would start right away. Mr. Williams stated he thought the 2% was for finishing by September or October not July. Mr. Nimmer stated that was a conservative estimate, the actual savings will probably be greater. With all the unknowns, Aon could not calculate it precisely. Discussion held by Trustees, staff and benefits consultant regarding if the percentage increase of 23.7% after taking the various items off the 29.4%, reflects the percentage change on the bundled basis on medical and prescription drugs bundled. Mr. Nimmer stated that is correct. Discussion held by Trustees, staff and benefits consultant regarding the offering of non-bundled plans now. Mr. Nimmer stated typically in that scenario Aon did not make potential carve out which means someone can take one or the other. Typically what would happen they would choose the plan they would utilize more. Chances are it would increase the rate slightly. Aon is assuming people will pick the same medical and prescription drug plan as they have today. Discussion held by Trustees, staff and benefits consultant regarding if the Board should know how much each plan is increasing. Retirees are increasing a lot compared to actives. Mr. Kindy stated the 23.7% increase that is the overall increase, the medical component may have gone up by difference percentages but overall 23.8% is a bundled increase. Trustee Shiraki stated he understands that and requested, in the future, Aon provide increases per plan. Mr. Fukuhara stated to Mr. Nimmer and Mr. Kindy, that in the future, when Aon shows rate changes it should show the percentage increase for medical and drugs separately. Mr. Nimmer stated Aon would include a column in the future with the corresponding increase for medical and Rx as requested by Trustee Shiraki. Trustee Shiraki requested to know the increase that is projected for the next fiscal year. Discussion held by Trustees and staff regarding clarification that Aon said if we unbundled and gave people a choice to pick one or the other, Aon would have to raise the rates. Mr. Nimmer stated he was not sure where he was going when the question was asked, from an actuarial perspective if you can split out a plan and pick only the benefits that you want, psychologically and in practice, what happens is that you choose the plan in which you will use them. Therefore, the pressure on the plan would be greater so people will utilize those benefits more. What Aon assumed was that the population would still have both medical and prescription drugs in a combined fashion. If Aon finds that a lot of the population picks only prescription drugs or only medical, he thinks the Board would see within emerging experience pressure heading in an upward fashion as a result. Meaning the claims experience would be higher than what was originally projected.

MOTION was made for the Board to approve the proposed rates for actives that would be on the chart that says Option 1 on the upper right hand column which shows total premium that includes administrative fees and chiropractic premium (3 columns-medical, Rx, total) to include comparable adjustments for the bargaining unit 12 rates, proportional to what is shown on the chart and on the retirees' chart the four boxes on the right hand column (rates + EUTF administrative fees), HMSA and HMA Medicare and non-Medicare. Authorize the administrator to work with Aon to make minor administrative fee adjustments to conform to payroll deduction requirements for the month of July 2009. (Daeufer/Annis) After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

V. NEW BUSINESS

A. Revised Open Enrollment Dates

Mr. Williams summarized the memorandum dated April 30, 2009 distributed to the Trustees today. The administrator recommends that the Board approve a limited, special open enrollment for active employees who need to make changes effective July 1, 2009 and who would be negatively affected by a delay in the open enrollment and to authorize the administrator to approve plan changes normally permitted only during the open enrollment period on a case-by-case basis, and that the administrator be given authority to liberally interpret and apply this authorization. Discussion held by Trustees and staff regarding the timetable to print and send notices to employees and to allow the administrator flexibility of setting the deadline in mid June to meet first payroll changes.

MOTION was made for the Board to approve a limited, special open enrollment for active employees who need to make changes effective July 1, 2009 and who would be negatively affected by a delay in the open enrollment and to authorize the administrator to approve plan changes normally permitted only during the open enrollment period on a case-by-case basis, and that the administrator be given authority to liberally interpret and apply this authorization. (Boyer/Kahoohanohano) After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

Discussion held by Trustees, staff, benefits consultant and member of the public regarding changes of benefits that retirees should be informed about the limited special open enrollment because they may elect to change plans. Mr. Williams stated the EUTF is not changing benefits or the drug plan. Mr. Fukuhara stated changes are being implemented for non-Medicare retirees with no changes for Medicare retirees. The non-Medicare retirees are on the same drug plan as actives. Mr. Williams stated he would rather address that if and when it becomes an issue and he can bring it to the Board if the EUTF receives a request. If anything is put in a newsletter or notice that says you can change, the retirees will bombard the EUTF.

The EUTF will be unable to handle the workload and in the end the result will be very few changes. Discussion held by Trustees, staff and member of the public regarding if enough information will be in the retiree newsletter. Mr. Williams stated for all individuals affected there will be a communication plan. They will be contacted both by mail and phone. Discussion held by Trustees, staff, benefits consultant and member of the public regarding if there are formulary changes July 1. Mr. Fukuhara stated no, informed Rx (NMHC) is sending letters to those they know will be impacted. Because the volume is larger for mandatory mail order they will just be sending letters. For those affected by the specialty drug program, they will receive phone calls and letters from informedRx.

MOTION restated for the Board to approve a limited, special open enrollment for active employees who need to make changes effective July 1, 2009 and who would be negatively affected by a delay in the open enrollment and to authorize the administrator to approve plan changes normally permitted only during the open enrollment period on a case-by-case basis, and that the administrator be given authority to liberally interpret and apply this authorization. After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

MOTION was made to go into Executive Session at 10:31 a.m. for the reasons stated on the agenda. (Annis/Radcliffe) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Executive Session adjourned at 10:48 a.m.

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

1. Approval of insured plans rates for the month of July (it will be on a month to month basis) includes no change in rates for Royal State supplemental plan, VSP, Standard, and the chiropractic plan. 9.1% increase for HDS actives. Kaiser increases for actives will be slightly under 5.5% for comprehensive and 4.4% for basic. Kaiser rates 3.4% increase for comprehensive and for non-Medicare it is 5.7% increase and for Senior Advantage Medicare Plan it is 8.8%. As for the carriers, it is up to three (3) months. For participants, it is approved for the month of July 2009.

IX. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 10:54 a.m.

Respectfully submitted,

/s/

Elizabeth Ho, Secretary-Treasurer

APPROVED on June 17, 2009 as amended.

Documents Distributed:

1. Memorandum to BOT from Aon Regarding Rate Increase Adjustments for a Month-to-Month Extension Effective July 1, 2009. (4 pages)
2. Memorandum to BOT from Administrator Regarding Implementation of Board Decision to Continue Benefit Plans on Month-to-Month Basis. (1 page)