

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, April 30, 2002

TRUSTEES PRESENT: Mr. Sam Callejo, Chairperson
Ms. Audrey Hidano, Vice-Chairperson
Mr. James Williams, Secretary-Treasurer
Ms. Joan Lewis
Ms. Kathryn Matayoshi
Mr. Neal Miyahira
Mr. Willard Miyake (Arrived 10:45 a.m.; Left 11:05 a.m.)
Mr. James Yasuda
Mr. Davis Yogi

TRUSTEE ABSENT: Mr. Clifford T. Uwaine

ATTORNEY: Mr. John Deller, Deputy Attorney General

HEUHBTF STAFF: Mr. Tracy Ban
Ms. Lynette Fukunaga
Ms. Shirley Kawamoto
Ms. Wanda Kimura
Mr. Gary Sanehira
Ms. Karen Tom

OTHERS PRESENT: Ms. Jean Aoki, HSRTA
Mr. George Butterfield, HSTA-Retired
Ms. Nani Crowell, HSTA
Ms. Kathy Fay, HDS
Mr. Melvin Higa, MBAH
Mr. Charles Khim
Ms. Ruth P. Kim, HSTA-Retired
Mr. Melvin Kutara, C&C, Dept. of Human Resources
Mr. Tom Morrison, The Segal Company
Mr. Michael Moss, HMSA
Mr. Gordon Murakami, Royal State
Ms. Karen Muronaka, ORTA/HSTA-Retired
Mr. Rod Tam, HMSA

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order when there was a quorum at 9:18 a.m. by Trustee Sam Callejo, Chairperson, in Conference Room 303/304, No. 1 Capitol District Building, 250 South Hotel Street, Honolulu, Hawaii, on Tuesday, April 30, 2002.

ANNOUNCEMENTS

The Chair announced that this was Trustee Yasuda's last meeting. Trustee Yasuda thanked the Board and staff for their efforts and the courtesies extended to him during his time on the Board.

The Chair stated that Trustee Uwaine would be absent and that Trustee Miyake will arrive around 10:30 a.m. upon his return from Hilo.

Chair announced that Deputy Attorney General Aburano will be unable to attend meetings until the end of May and Deputy Attorney General John Dellera will assist the Board during Mr. Aburano's absence.

Conference Room 303/304, No.1 Capitol District Building, closes for construction at the end of May. Alternate conferences rooms are available on the 4th floor of the Capitol District Building and in the Leiopapa a Kamehameha Building (State Office Tower).

II. APPROVAL OF MINUTES

MOTION to approve the April 9, 2002 minutes as submitted was made by Trustee Yogi and seconded by Trustee Williams. The missing letter "b" in the minutes was due to a printer problem and will be corrected. The motion was passed unanimously (Employer trustees 5/Employee-Beneficiary trustees 3).

III. COMMITTEE REPORTS

A. ADMINISTRATIVE COMMITTEE

The Chair recognized that Trustee Matayoshi has been accepted as a Toll Fellow.

1. BENEFITS CONSULTANT RETENTION

Trustee Matayoshi reported that the RFP was mailed to potential offerors on April 23, 2002. She confirmed with the Board that the Administrative Committee will evaluate the submitted proposals and will keep the Benefits Committee apprised.

MOTION to approve the Special Conditions as submitted was made by Trustee Matayoshi on behalf of the Administrative Committee. The motion was unanimously passed. (Employer trustees 5/Employee-Beneficiary trustees 3)

The Special Conditions document will be sent to those who are interested in submitting a proposal.

2. HIRING OF AN ADMINISTRATOR

a. Determination of selection committee

Trustee Matayoshi indicated a need to appoint a selection committee. This item was deferred to after the meeting's first recess.

b. Executive Search Firm

An Executive Search Firm RFP was developed in anticipation of the need to hire a search firm.

MOTION to authorize the Administrative Committee to proceed with the Scope of Work for an Executive Search Firm with the understanding that the Board would not retain a search firm unless there is no selection under the current interview and selection process was made by Ms. Matayoshi on behalf of the Administrative Committee.

There was no discussion. The motion was unanimously passed. (Employer trustees 5/Employee-Beneficiary trustees 3)

c. FACILITIES

Staff will begin to work with the Department of Accounting and General Services, Leasing Branch, for possible office space for the Administrator.

d. EXECUTIVE SESSION

Having no objections, this item will follow Agenda Item VIII.

3. THIRD PARTY ADMINISTRATOR

The Committee has not had any discussion on this agenda item, pending the results of an evaluation of HFIMS by a consultant.

4. CONSULTANT SERVICES TO EVALUATE THE HEALTH FUND INFORMATION MANAGEMENT SYSTEM (HFIMS)

The scope of work is very specific in evaluating the capability of the system to address the immediate needs of the Trust Fund. The narrow scope was to ensure that the evaluation expense would remain within the \$50,000 budgeted for this work. The Committee recommends the use of the Gartner Group, a consultant that is on the ICSD vendor/price list which would eliminate the need to develop an RFP and could contact Gartner with the scope of work and begin negotiating a contract.

MOTION to: 1) Approve Scope of Work; 2) Approve utilizing the Gartner Group; and 3) Authorize the Administrative Committee to contract with Gartner provided that the work does not exceed \$50,000 was made by Trustee Matayoshi on behalf of the Administrative Committee.

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

April 30, 2002 Minutes

PAGE 4

The trustees discussed the consultant's need to have an indication of the variables, e.g., administrative and benefit plans, that would affect the system. The Gartner Group was recommended by the staff from the ICSD vendor list because of its expertise in PeopleSoft and other personnel management software and in consideration of the timeframe. The consultant's evaluation is targeted to be completed by June 30, 2002 and will not exceed \$50,000. Staff had prepared all necessary letters ready for signature today if the Board authorizes proceeding.

PUBLIC COMMENT

C. Khim asked the name of the consultant who had indicated to Mr. Ban that the consultant would do the HFIMS evaluation for less than \$50,000 if the consultant was awarded the Public Employees Health Fund contract. Trustee Matayoshi confirmed that Gartner Group was not the consultant.

The motion was unanimously passed. (Employer trustees 5/Employee-Beneficiary trustees 3)

PUBLIC COMMENT

M. Higa asked if bids submitted are in excess of \$50,000 would Committee return to the Board. The Chair responded affirmatively.

B. RULES COMMITTEE

Trustee Yogi reported that the Rules Committee has completed 75% of the briefing of the concept rules. The next meeting is Friday, May 3, 2002, and the location has been changed to Conference Room 303/304, No. 1 Capitol District Building. One of the major issues the Committee is trying to resolve is coordinating effective dates with pay periods.

C. BENEFITS COMMITTEE

Trustee Lewis reported that there was a presentation on the HFIMS system at the last committee meeting. The major issue is how everything will fit together. During this afternoon's meeting, there will be a presentation from the Public Employees Health Fund on the benefits currently being offered. The Committee has also asked the employee organizations to provide a presentation about their plans currently offered.

Trustee Matayoshi reminded the public who had experience with the HFIMS to submit specific problems or concerns about the system with examples to the staff by Friday, May 5, 2002, so those issues could also included for consideration in the evaluation. The Administrative Committee will also share those comments with the Health Fund Board as part of the transition issues.

PUBLIC COMMENT

M. Higa suggested that the Board obtain a reference list of Trust Funds that use PeopleSoft to provide to the consultant evaluating the HFIMS to determine if PeopleSoft is appropriate for the needs of the Trust Fund.

Trustee Matayoshi commented that the consultant's evaluation is limited to the immediate needs of the Trust Fund and not the long-range evaluation of the PeopleSoft system. Trustee Williams asked that Staff request a reference list.

C. Khim agreed that a list of references should be obtained for inclusion in the consultant's evaluation.

IV. OTHER REPORTS

A. DEPUTY ATTORNEY GENERAL

DAG Deller commented that Mr. Aburano has responded to questions by letters which will be distributed to the trustees through the staff.

Trustee Yogi indicated the issue brought up by a member of the public regarding the potential violation of discrimination laws by designing different plans for retirees was outstanding. The Chair advised that the Board is awaiting receipt of a written description of the issue and specific concerns. Trustee Yasuda expressed his concern that the Board may move to the position that the retiree benefit packages must be the same as active employee plans. Staff stated that Mr. Aburano intends to report to the trustees on the issues of the Erie County case and how excluded and exempt employee contributions are determined at the May 14, 2002 Board meeting and would respond to questions upon his return.

B. STAFF

Every state agency has been asked to prepare a transition report for the next administration. The deadline for submission is May 24, 2002, however, it may be possible to obtain an extension to the end of June to allow the Administrator to provide input. Staff will begin work on an initial draft for the Administrator.

V. UNFINISHED BUSINESS

A. INSURANCE BROKER ENGAGEMENT LETTER

Trustee Matayoshi reported that the best approach in handling Marsh's engagement letter is for the Board to respond with its concern about Marsh's commission upon termination by the Board for cause. The trustees discussed that the letter to Marsh be amended to reflect that the Board acknowledged receipt of Marsh's engagement letter rather than the terms of the Marsh's letter is acceptable.

There being no objection, the Chair stated that the letter will be as amended as follows:
"The terms of that Letter [~~are acceptable~~] to the Hawaii Employer-Union Health Benefits Trust Fund" to acknowledges receipt.

B. REPORT ON BUDGET MEETINGS WITH LEGISLATURE

Trustee Williams summarized his and the Chair's meetings with Senator Brian Taniguchi (Chair of Senate Committee on Ways and Means), Senator Robert Bunda (President of The Senate), and Representative Dwight Takamine (Chair of House Committee on Finance) to discuss action taken by the Senate which fell short of the Trust Fund's requirements. As a result from the meetings, \$238,000 for FY 2002 was reinstated with funds from the Health Fund. The \$350,000 for FY 2003 remains with the Health Fund for HIPAA compliance, however, a proviso was added to coordinate HIPAA implementation between the Health Fund and the Trust Fund.

C. PEHF TRANSITION COMMITTEE

The Chair reported that the PEHF Transition Subcommittee met on April 17, 2002 and responded to the Trust Fund's March 12, 2002, letter. Once the response is approved by the PEHF Board (next meeting is on May 9, 2002), the response will be sent to the Trust Fund by the end of May. Meetings may be scheduled between the Administrative Committee and the Health Fund's Transition Subcommittee.

VI. NEW BUSINESS

None.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

A. KAISER, HMSA, AND VSP LETTER TO THE BOARD

The Board's response was distributed to the Trustees. Mr. Moss, HMSA, advised that the Board's response letter has been forwarded to their legal counsel and that HMSA will continue to attend the Board and Committee meetings.

PUBLIC COMMENTS

G. Murakami commented that the Board's response to Kaiser, HMSA, and VSP was not available for public distribution.

Trustee Matayoshi stated that the letter was an attachment to a memorandum that was marked as an attorney-client communication so was not copied for distribution to the public. The trustees discussed the appropriateness of waiving the attorney-client privilege in this matter. The trustees discussed the issue of waiving privilege as a board and not as individual trustees. It was noted that a waiver is based on a case-by-case basis after review by the trustees.

MOTION to waive attorney-client communication privilege on the memorandum dated April 16, 2002 regarding the EUTF Procurement was made by Trustee Matayoshi and seconded by Trustee Williams.

PUBLIC COMMENT

C. Khim commented that a motion is unnecessary as each individual trustee has the right to waive the attorney-client privilege without the concurrence of the other trustees.

Mr. Deller commented that the attorney-client privilege is held by the entity itself. Individual trustees do not have the authority to waive the privilege on a communication that was delivered to the Board as an entity.

C. Khim suggested that the Board ask the attorney general to research that issue and report to the Board in a formal memorandum. The Chair indicated that the Board would take the comment under advisement.

The motion was unanimously passed. (Employer trustees 4/Employee-Beneficiary trustees 3; Trustee Miyahira was absent for the vote.)

The trustees discussed a process by which the Board would handle attorney-client communication documents. It was determined that the staff would distribute documents marked attorney-client communication separately to the trustees for review. The Board as an entity would determine whether the document would be available to the public. Trustee Williams expressed his bias on the limited use of executive sessions for attorney-client communications.

PUBLIC COMMENT

C. Khim agreed with Trustee Williams in the limited use of executive sessions.

M. Higa commented that he had submitted a memorandum dated April 23, 2002 for Board consideration.

MOTION to refer the memorandum submitted by Mr. Higa, Mutual Benefit Association of Hawaii, dated April 23, 2002, regarding records management program, to the Administrative Committee was made by Trustee Matayoshi and was seconded by Trustee Yogi.

There was no discussion. The motion was unanimously passed.
(Employer trustees 5/Employee-Beneficiary trustees 3)

M. Higa submitted another memorandum to the Board regarding comments and suggestions on HIPAA compliance.

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

The Board meetings scheduled for May are Tuesdays, May 14, 2002 and May 28, 2002, 9 a.m., Conference Room 303/304. The Benefits Committee will meet at 1:30 p.m. today, Conference Room 303/304. The Rules Committee meeting is scheduled for Friday, May 3, 2002, 9 a.m., Conference Room 303/304. June meetings will be scheduled at the May 14th meeting.

RECESS: 10:33 a.m. to 10:45 a.m.

Trustee Miyake joined the meeting at 10:45 a.m.

III.A.2. HIRING OF THE ADMINISTRATOR

MOTION to appoint a Selection Committee composed of Trustees Williams, Lewis, Hidano, and Matayoshi and proceed with the interview process for the Chief Executive Officer of the Trust Fund was made by Trustee Matayoshi on behalf of the Administrative Committee.

There was no discussion. The motion was unanimously passed.
(Employer trustees 5/Employee-Beneficiary trustees 4)

MOTION to enter into Executive Session was made by Trustee Matayoshi and seconded by Trustee Yogi. There was no discussion. The vote unanimously passed.
(Employer trustees 5/Employee-Beneficiary trustees 4)

The Board's Executive Session was held from 10:45 a.m. to 11:15 a.m. to discuss the interview process and questions for the hiring of the Trust Fund's Administrator. The Board determined that the Administrative Committee's Recommended Screening Process document, dated April 25, 2002, would be available to the public.

Trustee Miyake left the meeting at 11:05 a.m.

IX. ADJOURNMENT

MOTION to adjourn the meeting was made by Trustee Miyahira and seconded by Trustee Matayoshi. There were no objections; the motion was unanimously passed (Employer trustees 5/Employee-Beneficiary trustees 3).

The meeting was adjourned at 11:15 a.m.

Respectfully submitted,

/s/

James Williams, Secretary-Treasurer

APPROVED on May 14, 2002.

Documents Distributed:

1. Minutes of April 9, 2002. (13 pages)
2. Special Conditions. (6 pages)
3. Executive Search Firm, Scope of Work. (4 pages)
4. HFIMS Consultant Timeline (Revised Draft 04/26/02). (1 page)
5. HFIMS Consultant, Scope of Work. (3 pages)
6. Price list information on Gartner Group. (5 pages)
7. Draft letter to PEHF Chair for their cooperation with HFIMS consultant. (1 page)
8. Request from Budget and Finance regarding Preparation of 2002 Transition Report. (1 page)
9. Insurance Broker Engagement Letter (Draft 04-30-02). (1 page)
10. Letters to Kaiser Permanente, HMSA, and VSP regarding attendance and participation in Trust Fund meetings only to the extent they will still be permitted to bid on benefit plans. (3 pages)
11. Memorandum from Mr. Melvin Higa, Mutual Benefit Association of Hawaii regarding Employer-Union Health Benefits Trust Fund Records Management Program Required Planning.
12. Article in Managed Care, February 2002, "Health Care Cost Control, Getting on the Right Track," from Mr. George Butterfield. (6 pages)
13. Approved minutes of March 19, 2002. (10 pages)