

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, May 10, 2006

TRUSTEES PRESENT

Mr. John Radcliffe, Chairperson
Ms. Katherine Thomason, Secretary-Treasurer
Ms. Elizabeth Ho
Ms. Marie Laderta

Mr. Mark Recktenwald
Mr. Stanley Shiraki (arrived 9:13 am)
Mr. Guy Tajiri

TRUSTEES ABSENT

Mr. Gerald Machida, Vice-Chairperson
Mr. George Kahoochanohano

Mr. Nelson Befitel

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

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

Mr. John Garner, Consultant
Mr. Andy Keowen, Consultant
Ms. Donna Tonaki

OTHERS PRESENT

Ms. Lynette Arakawa, HDS
Ms. Alana Deppe-Mariota, Kaiser Permanente
Ms. Monica Engle, VSP
Mr. Sam Fox, Summerlin
Ms. Venus Gabuyo, MBAH
Mr. Rick Jackson, MDX Hawaii
Ms. Ruth Kim, HSRTA

Mr. Eleu Kane, Summerlin
Mr. Paul Matsuo, HGEA-Retiree
Mr. Michael Moss, HMSA
Ms. Gertrude Nitta, Retiree
Ms. Sue Oguro, ORTA
Mr. Rod Tam, HMSA
Mr. George Yamamoto, HGEA Retirees

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:01 a.m. by Trustee John Radcliffe, Chairperson, in Conference Room 1935, City Financial Tower, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, May 10, 2006.

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for March 22, 2006. Discussion held by Trustees regarding the motion to approve the proposed rule amendments.

Amendment to the draft minutes for March 22, 2006: page 4, lines 1 and 2 after amendments add “,”, after with delete “**and without**” and after staff add “,”.

There being no objections by the Trustees, the minutes for March 22, 2006 were approved as amended.

III. COMMITTEE REPORTS: None

IV. OTHER REPORTS

A. Administrator

1. March Update (see written report)

a. PeopleSoft Support

Overview by Ms. Shiroma regarding the migration of the PeopleSoft/HFIMS to the Regatta platform (see Administrator's report).

b. Staff Changes

Overview by Mr. Williams regarding staff changes. (see Administrator's report).

c. RFP for Claims Audit

Overview by Mr. Williams regarding the RFP for Claims Audit (see Administrator's report). Further discussion will be held in Executive Session.

d. Implementation of HSTA VEBA

Mr. Lawrence Nishihara reported on the implementation of HSTA VEBA (see Administrator's report).

e. UPW VEBA

Overview by Mr. Williams on discussions with the employers regarding the potential implementation of a UPW VEBA and EUTF's suggestions on the same (see Administrator's report). Discussion held by Trustees and staff regarding the impact if UPW withdrew from the EUTF. Mr. Williams reported that HB2950, relating to a single VEBA for multiple bargaining units, was voted down in the Senate and he does not know what impact this will have on UPW. [Trustee Shiraki arrived at 9:13 a.m.] Discussion held by Trustees and staff regarding the EUTF being ready to respond.

With respect to potential VEBAs, Mr. Williams stated that if the employers or unions inquire, the EUTF will provide information if it is for straight enrollment information; and if the request is for utilization information to provide rates it will seek Board approval first.

Discussion held by Trustees and staff regarding the offering of the one-time option for HSTA retirees. Mr. Williams stated that discussions will be held with HSTA to set-up the process for offering the one-time option. Discussion held by Trustees and staff regarding including provisions for satisfying GASB 43/45 requirements in the MOUs. Mr. Williams stated that the MOU between

the State (B&F lead) and HSTA identifies details about the implementation of the HSTA VEBA and includes a paragraph about GASB. He also stated that any concerns regarding this matter should go to DAGS, DHRD, and OCB.

- f. Proposed Legislation – Bills Relating to EUTF and Health Benefits
Overview by Mr. Williams regarding the bills on which the Board adopted a position and certain other bills of interest to the EUTF (see Administrator's report and updated reports for the House and Senate). Mr. Williams stated that HB3018 that passed as Act 57 will have a long range effect on the EUTF. It clarifies that for GASB purposes the EUTF is administered as a trust or equivalent arrangement and contributions to the EUTF are irrevocable. Chair Radcliffe stated that the legislature also passed a bill to provide health coverage for all children under the age of 18.

- g. Legislative Action on Supplemental Budget
Overview by Ms. Tonaki regarding the EUTF budget approved by the Legislature (see Administrator's report). Mr. Williams thanked B&F and the EUTF staff for their assistance in communicating with the legislature regarding funds that were added to the EUTF budget. Discussion held by Trustees and staff on what would be done with the additional funds of \$650,000. Mr. Williams stated that the EUTF staff was in the midst of preparing an RFP for a consultant to write an RFP for a new system when the Governor denied the EUTF request for \$5.4 million. The EUTF will take that general direction but will not be able to go too far along without the full funding for a new system. Staff has done research on systems available and now funds are available to hire someone to do comprehensive research. Staff recommendations will be submitted to the Board at the July/August 2006 meeting.

The reason EUTF funds were not in the administration budget was because the administration wanted to look at a more comprehensive approach to systems development/acquisition. Mr. Williams stated that he is not aware of any task force that has been created and will communicate with ICSD because the EUTF needs to know if funds are needed for that purpose.

- h. EUTF Facilities – Leasing & Renovation of Additional Space
Mr. Lawrence Nishihara reported that he will be meeting with the project manager on Thursday and the architect on Friday.

- i. Administrative Rules – Proposed Amendments
Mr. Lawrence Nishihara reported that the Administrative Rules approved by the Board are being prepared for transmittal to the Governor's office for approval.

B. DEPUTY ATTORNEY GENERAL

Mr. Aburano reported that Trustee Thomason alerted him to a new OIP opinion regarding the use of investigative committees (or task forces), which the Board has used from time to time. The new opinion clarifies that investigative committees can only be used for a limited purpose and should exist for only a limited period of time. Investigative committees can hold non-public meetings only to investigate a matter that has been assigned to them at a public board meeting. Generally, an investigative committee can give only one report to the Board on the matter investigated after which the committee ceases to exist. The OIP opinion cautions against the use of investigative committees that essentially become standing committees and evade the "Sunshine" law.

C. BENEFITS CONSULTANT

May Report

1. Request for Proposals

This item will be addressed in Executive Session.

2. Kaiser Utilization Data by Bargaining Unit

Mr. Garner reported that a copy of Kaiser's utilization data by bargaining unit was in the Trustees packet.

3. Garner Consulting Bulletin – March/April 2006

Overview by Mr. Garner regarding Garner Consulting's bulletins for March/April 2006 (see Consultant's report and bulletin). He stated that the Trustees may be interested in the Wal-Mart bill and CMS report (March issue). Overview by Mr. Keowen regarding the Massachusetts bill (April issue) on uninsured coverage.

D. Financial Report as of March 31, 2006

Overview by Ms. Tonaki regarding the financial report as of March 31, 2006 (see written reports). Ms. Tonaki reported that during the month of March, the total cash decreased due to the implementation of HSTA-VEBA and insurance carrier payables by approximately \$7 million. In addition, the enrollment section processed approximately 500 deaths from reports received regarding Medicare Part B, which drastically increased the reimbursements receivables. The EUTF is currently working to decrease these amounts by getting it back from the families. There are no significant expenses. Staff is projecting expenses for BST contract of \$300,000 and renewed the PeopleSoft maintenance of \$365,000. There are no significant changes for the cash flow. Discussion held by Trustees and staff regarding the monthly impact of HSTA withdrawal. Ms. Tonaki stated that the monthly amount for HSTA withdrawal will be approximately \$40,000/monthly and \$500,000/yearly in administrative fees.

E. Carrier's Reports

1. VSP
Written report submitted.
2. Royal State Insurance
No written report submitted.
3. MBAH
No written report submitted.
4. Kaiser Permanente
Written report submitted.
5. HMSA
Written report submitted. Mr. Tam distributed HMSA's annual report. HMSA is currently working with the State regarding the possibility of pandemic flu. Discussion held by Trustees and HMSA regarding flu shots, tami flu, and pandemic flu. Mr. Tam stated that there are no pandemic flu shots at this time. Mr. Jacobs stated that they are ordering as many flu shots as they can.
6. HDS
Written report submitted. Ms. Arakawa reported that the newsletter shows new enhancements. Overview by Ms. Arakawa regarding their survey.

V. UNFINISHED BUSINESS

A. EUTF Plan Design/RFP

This item will be addressed in Executive Session.

VI. NEW BUSINESS

A. HDS Rate Adjustment

This item will be addressed in Executive Session.

B. Revision to VSP Performance Standards

This item will be addressed in Executive Session.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

Comments made by Mr. Melvin Higa regarding: (1) the deletion of personal information, i.e., social security numbers and birthdates, from the EUTF pre-printed OE-1 form; and (2) when preparing the RFP for benefit plans, the designs and requirements should be flexible to allow potential providers to be able to meet the requirements of the RFP.

Mr. George Yamamoto stated that United Health Care offers more benefits for retirees in the Medicare program and inquired if the EUTF will announce this to the membership and encourage them to join. Mr. Williams stated that United Health Care approached the EUTF last fall and initially wanted to enroll EUTF retirees in their Medicare Part D prescription drug plan but realized that that would not be appropriate. United Health Care asked about endorsement but the EUTF staff felt that that would also not be appropriate. The Board so far has not endorsed plans or programs outside the EUTF.

Mr. Williams stated that if the Board requested, the EUTF staff would investigate the giving of endorsements but that any such investigation would not be limited to Medicare plans or United Health Care.

Trustee Recktenwald inquired about the concern Mr. Higa raised regarding personal information on the pre-printed OE-1 form. Mr. Williams explained the procedures and why the pre-printed OE-1 forms are distributed to actives through the employer and sent by first class mail to the retirees. Due to the rise of identity thefts and the passing of identity theft bills by the legislature, the EUTF will look into this matter and report back to the Board.

Discussion held by Trustees and staff regarding enrollment in Medicare plans.

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Board meeting is scheduled for Thursday, June 15, 2006, 9:00 a.m., CFT-room 1935.

IX. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 9:54 a.m. for the reasons stated on the agenda. (Thomason/Befitel) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

Recessed at 9:54 a.m. and Reconvened at 10:04 a.m.

MOTION was made to move out of Executive Session at 12:55 p.m. (Recktenwald/Ho) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

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

1. Approval of March 22, 2006 Executive Session minutes as amended.
2. Denial of HDS's request for rate adjustment.
3. Approval of VSP's request to revise performance standards.

X. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 1:03 p.m.

Respectfully submitted,

/s/

Katherine Thomason, Secretary-Treasurer

APPROVED on June 15, 2006 as amended.

Documents Distributed:

1. Draft Minutes for March 22, 2006. (7 pages)
2. Memorandum to BOT from Administrator regarding March Administrator Report dated 5/2/06. (4 pages)
3. Proposed Legislation Affecting EUTF, Update on House Bills dated 5/2/06. (2 pages)
4. Proposed Legislation Affecting EUTF, Update on Senate Bills dated 5/2/06. (2 pages)
5. Letter to BOT from Garner Consulting regarding May Benefit Consultant Report dated 4/28/06. (1 pages)
6. Kaiser Summary of Utilization and Utilization Rates 7/2004-6/2005 dated 10/28/05. (2 pages)
7. Garner Bulletin for March 2006. (3 pages)
8. Garner Bulletin for April 2006. (2 pages)
9. EUTF Statement of Net Assets (Unaudited) dated 4/24/06. (1 page)
10. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 9 Months Ended 3/31/06 (Unaudited) dated 4/24/06. (1 page)
11. EUTF Statement of Cash Flows 9 Months Ended 3/31/06 (Unaudited) dated 4/20/06. (1 page)
12. New Article "Hospital execs sound alarm on deep losses" from Pacific Business News dated 4/24/06. (2 pages)
13. OpenLine, January-March 2006. (2 pages)
14. The High Road, March 2006. (2 pages)
12. Approved Minutes for April 7, 2003. (7 pages)
13. Approved Minutes for February 22, 2006. (8 pages)