

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, May 17, 2005

TRUSTEES PRESENT

Ms. Katherine Thomason, Chairperson	Ms. Joan Lewis
Ms. Kathleen Watanabe, Vice-Chairperson	Mr. Willard Miyake
Mr. Gerald Machida, Secretary-Treasurer	Mr. John Radcliffe
Mr. Nelson Befitel	Mr. Mark Recktenwald
Mr. George Kahooohanohano	Mr. Stanley Shiraki (arrived at 1:43 pm)

TRUSTEES ABSENT: None

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator	Mr. John Garner, Consultant
Mr. Lawrence Nishihara	Ms. Gerti Reagan, Consultant
Ms. Maria Quartero	Ms. Donna Tonaki
Ms. Kathleen Shiroma	

OTHERS PRESENT

Ms. Lynette Arakawa, HDS	Ms. Doreen Kuroda, DHRD
Mr. Gary Asato, Kaiser Permanente	Mr. Maurice Morita, HSTA
Ms. Sandra Benevides, Kaiser Permanente	Mr. Michael Moss, HMSA
Ms. Brandy Ching, Kaiser Permanente	Ms. Gertrude Nitta, HGEA-R
Ms. Alana Deppe-Mariota, Kaiser Permanente	Ms. Cindy Sasaki, Grant Thornton
Ms. Monica Engle, VSP	Ms. Lynn Shimono, Grant Thornton
Mr. Rick Jackson, MDX Hawaii	Mr. Rod Tam, HMSA
Mr. Eleu Kane, Summerlin	Mr. Myles Taniguchi, TRIA
Ms. Ruth Kim, HSTA-R	Ms. Lilia Yu Lum
Ms. Alice Kotake, HSTA-R	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 1:36 p.m. by Trustee Katherine Thomason, Chairperson, in Conference Room 1935, City Financial Tower, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, May 17, 2005.

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for March 22, 2005 and April 19, 2005.

MOTION was made to approve the draft minutes for March 22, 2005 and April 19, 2005 as submitted. (Radcliffe/Kahooohanohano) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

III. COMMITTEES

A. Administrative Committee

Chair Recktenwald reported:

1. 2005 Open Enrollment Update

So far, there has been a light turn out of approximately 1,400 people at enrollment sessions. The EUTF received a modest amount of changes with more expected by the end of the open enrollment period.

2. PEHF Refund Project Update

The EUTF staff is addressing the issue of 8,000 returned checks. The EUTF staff worked with the Department of Motor Vehicles (DMV) to identify 3,000 current addresses.

MOTION was made upon the recommendation of the Administrative Committee that the Board authorize the extension of two temporary positions established for the PEHF refund project through September 30, 2005. The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

3. FY06 & 07 Budget Approved by Legislature (see written report)

Three major adjustments were made: (1) reduction of funds for the hiring of two permanent and three temporary Clerk III positions and one permanent IT Specialist position; (2) PeopleSoft funding of \$800,000 for FY06 and zero amount for FY07; (3) increase for Attorney General's (ATG's) services of \$102,406 from the EUTF and reducing the same amount in general funding for the ATG's office. The Administrator will discuss this issue with the ATG's office. Issues for the Board to address: this cost is not included in the administrative fees and the Board did not approve funding the ATG position. Although the funding for the IT position was reduced, the Administrator will proceed to fill the IT position. The PeopleSoft funding can be used to provide support for the current PeopleSoft release.

Trustee Shiraki arrived at 1:43 p.m.

4. Proposed Legislation Affecting EUTF Update

Overview by Trustee Recktenwald regarding the effects of HB1548 (composition of Board).

MOTION was made upon the recommendation of the Administrative Committee for the Board to take no position on HB1548 and to authorize the Administrator to provide technical comments to the Governor. The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Overview by Trustee Recktenwald regarding HB1608 (VEBA): (1) administrative fees; (2) transition of bargaining unit members and demands on staff; (3) documentation of any increase/decrease in costs and funds; and (4) no provision in the bill for the evaluation of this pilot project. No consensus by the Administrative Committee to make a recommendation to the Board regarding HB1608.

MOTION was made upon the recommendation of the Administrative Committee for the Board to take no position on HB1608 and authorize the Administrator to provide comments to the Governor regarding the impact of the bill and pros and cons of the bill. Trustee Lewis stated that she will abstain from voting due to a conflict in interest but would like to see the comments before they are submitted to the Governor. Discussion held by Trustees regarding the procedures of reviewing documents before being finalized and sent out. After discussion by Trustees, the motion passed. (Employer Trustees-5/Employee-Beneficiary Trustees-4, Trustee Lewis abstained)

5. Direct Deposit of Medicare Part B Premium Refunds in Cooperation with ERS
The EUTF staff is working with ERS and implementation of the direct deposit program is scheduled to begin by September 30, 2005.
6. EUTF Facilities - Option to Lease Additional Space

MOTION was made upon the recommendation of the Administrative Committee for the Board to approve Option B to acquire 1,800 square feet of the ewa suite and authorize the Administrator to take the necessary steps to implement this acquisition of additional space. The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

7. GASB 43-45
To be discussed at the end of the Administrative Committee report.
8. Strategic Direction Survey
Overview by Trustee Recktenwald regarding the results of the strategic direction survey which is a beginning of an on-going dialogue in assessing the direction of the Board. Consensus of the Administrative Committee that the Administrator should move forward in utilizing the results and developing ideas for the Board to improve.
9. HB1608-VEBA
Overview by Trustee Recktenwald on the deputy attorney general's report regarding the following issues/legal questions raised related to HB1608-VEBA. (1) Can the EUTF transfer information about its beneficiaries to the VEBA entity? It should be okay under HIPAA because the VEBA plan is a covered entity. (2) Can retirees have different starting times in the VEBA plans (new retirees effective 7/1/05 and current retirees making the election effective 1/1/06)? The different start time would appear to be okay. (3) Who would inform the retirees of the one time election available to them? It is appropriate for the EUTF to coordinate and/or handle the process of the one time election because the retirees are currently members of the EUTF. (4) Who would make the Medicare part B payments to VEBA plan retirees? It would appear that Budget and Finance is to distribute the reimbursements to VEBA plan retirees. (5) Would different amounts of contributions be made on behalf of existing retirees if the VEBA retiree plan costs less than the EUTF retiree plan? This is not an issue for the EUTF to resolve.

10. HIPAA Security

Overview by Trustee Recktenwald regarding the reassessment of HIPAA Security compliance by Garner Consulting. There are statewide issues that are still a work in progress that the EUTF does not have control over. The issues that the EUTF has control over are being addressed. Garner Consulting will submit quarterly reviews regarding HIPAA compliance; a quarterly review is due next month.

11. Carrier Performance Standards

Overview by Trustee Recktenwald regarding the carrier performance standards. Kaiser did not meet performance standards related to promptness in answering calls. This may have potential financial implications in the future.

12. GASB 43&45

Overview by Trustee Recktenwald regarding issues relating to GASB 43&45. Garner Consulting concluded that the EUTF is a defined benefit plan. Consensus by the Administrative Committee authorizing the Administrator to send a letter to the Comptroller to seek an opinion from the auditor. If the EUTF is a defined benefit plan, an actuary will need to be hired to assess the amount of the EUTF's liabilities occurring for future retirees that may have to be submitted in a supplemental budget request next year.

13. COBRA Procedure Manuel

No action, Trustees are to review COBRA procedure manual for the next Board meeting.

14. PeopleSoft Upgrade RFP

A letter was transmitted canceling the PeopleSoft RFP.

MOTION was made upon the recommendation of the Administrative Committee for the Board to ratify the cancellation of the PeopleSoft RFP. The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

15. Alternatives to PeopleSoft System

Overview by Trustee Recktenwald regarding the alternatives to the PeopleSoft systems.

MOTION was made upon the recommendation of the Administrative Committee for the Board to authorize the Administrator to issue a request for professional services for a qualified PeopleSoft systems integration provider to provide support until a long-term solution can be implemented with a not-to-exceed cost of \$300,000 annually. The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

MOTION was made upon the recommendation of the Administrative Committee for the Board to authorize the Administrator to seek a procurement exemption and/or to utilize cooperative purchasing under part VIII of chapter 103D, HRS, to negotiate with the

ERS contracted systems vendor with any resulting proposed agreement subject to approval by the Board of Trustees. The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

16. MedAmerica/Hartford Assumption Reinsurance Transaction
Overview by Trustee Recktenwald regarding the issue of an agreement to an assignment of responsibility for the long-term care contract with Hartford. Garner and Brian Aburano are holding discussions with MedAmerica to see if entering into such an agreement would result in any advantages for the EUTF or its members. No action is needed at this time.
17. Hawaii Uninsured Project
Overview by Trustee Recktenwald on a presentation that was made by the Hawaii Uninsured Project, i.e., describing what they do in addressing issues related to people who are uninsured for health coverage in the State of Hawaii and expressing an interest in partnering or working with the EUTF to address issues that small businesses may have in being able to afford the costs of providing coverage to their employees.

B. Benefits Committee

Chair Radcliffe reported:

1. Medicare Part D, Subpart R, Application for Subsidy
Deferred until June Board meeting.
2. HMSA Physical Therapy Benefits
Representative Mark Takai submitted a letter requesting that the Board reconsider a decision made in 2003 regarding HMSA's physical therapy benefits (see letter). Garner Consulting will address this issue with HMSA and try to make some recommendations at the next Board meeting.

MOTION was made upon the recommendation of the Benefits Committee that the Board authorize Garner Consulting to meet with HMSA to investigate and make a determination whether the changes in the physical therapy benefits resulted in a benefit reduction. The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

3. Self Funding and Alternative Funding Methods for EUTF Benefit Plans

MOTION was made upon the recommendation of the Benefits Committee that the Board register its intent to institute self-funded benefit plans, with first priority on the active medical and prescription drug plans and that the Board instruct the Benefits Consultant and the Administrator to expedite the transition from insured to self-funded plans. After discussion by the Trustees, the motion passed unanimously. As appropriate, the Administrator will inform legislators and other interested parties of the Board's intent. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

4. Carrier Contracts and Rates
To be discussed in Executive Session.

IV. OTHER REPORTS

A. Administrator

Mr. Williams reported:

1. February/March Update (see written report)
 - a. PeopleSoft RFP Update
Discussed under the Administrative Committee report.
 - b. Alternatives to PeopleSoft System
Discussed under the Administrative Committee report.
 - c. 2005 Open Enrollment Update
Discussed under the Administrative Committee report.
 - d. PEHF Refund Project Update
Discussed under the Administrative Committee report.
 - e. FY06 & FY07 Budget Approved by Legislature
Discussed under the Administrative Committee report.
 - f. Proposed Legislation Affecting EUTF Update
Discussed under the Administrative Committee report.
 - g. Direct Deposit of Medicare Part B Premium Refunds in Cooperation with ERS
Discussed under the Administrative Committee report.
 - h. EUTF Facilities – Option to Lease Additional Space
Discussed under the Administrative Committee report.
 - i. GASB 43&45
Discussed under the Administrative Committee report.
 - j. Strategic Direction Survey
Discussed under the Administrative Committee report.
 - k. IFEBP Benefits Conference for Public Employees from July 11-13, 2005
Overview by Mr. Williams regarding the IFEBP Benefits conference and a recommendation to send 3 trustees that did not attend an IFEBP conference, 1 staff, and the Deputy Attorney General to the IFEBP conference in Portland, Oregon. The funds are available in the EUTF budget. By consensus of the Trustees, authorization is approved to send 3 trustees, 1 staff, and the Deputy Attorney General to the IFEBP Benefits Conference for Public Employees from July 11-13, 2005 in Portland, Oregon.

B. DEPUTY ATTORNEY GENERAL

1. HB1608-VEBA

Discussed under the Administrative Committee report. Mr. Aburano added that though information regarding EUTF beneficiaries can be transferred, there should be some safeguards to make sure that we are not transferring information in excess of what is required for the VEBA to carry out its health plan activities.

2. Medicare Part D – Opinion Letter

The Opinion letter should be ready by or before the next Board meeting.

C. BENEFITS CONSULTANT

Mr. Garner reported:

1. May Report (see written report)

a. Aetna Life Insurance Refund

Ms. Gerti Reagan reported that Aetna's refund has been received.

b. Self-Funding

Garner Consulting's estimate of reserves as of July 1, 2007 is over \$95 million dollars and the estimate of what is needed for self-funding is approximately \$76 million dollars. The estimates will be updated every quarter and the numbers change by a little less than two percent. A timeline was provided to the Trustees. Mr. Garner recommends combining competitive bidding for insurance with competitive bidding for administrative services under a self-funded contract so the Trustees will be in a position to make an informed judgment having all the facts regarding costs, benefits, savings, and risks. Under the terms of the original RFP, self-funding sooner would not be feasible. Discussion held by Trustees and consultant regarding the reserves for July 1, 2005; if monies can be taken by the Legislature; and if reserves should be left with HMSA.

c. Garner Consulting Bulletins for March & April 2005 (see bulletins)

d. Quality

Kaiser submitted information requested at the last educational session. Kaiser has extended an invitation to the Board of Trustees to tour its facilities to further explain their model of care and the systems they have in place to care for EUTF participants. Kaiser also offered to provide a presentation about the Kaiser on-the-job program.

e. Schedule

Discussion held by Trustees, staff, and consultant regarding deadlines for documents and the scheduling of Committee and Board meetings.

MOTION was made for the Board to approve moving the Board meetings to the 4th week of the month starting July 2005. (Miyake/Recktenwald) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

By consensus of the Trustees, the Chairperson will meet with the Administrator regarding the scheduling of meetings.

D. Financial Report as of March 30, 2005

Overview by Ms. Tonaki regarding the financial report (see reports).

E. Financial Audit FY 2004

Presentation by Lynn Shimono and Cindy Sasaki of Grant Thornton regarding the results of the financial audit FY 2004. Discussion held by Trustees and the auditors regarding page 15 of the notes to financial statements, 5th paragraph. Lynn Shimono explained that this is not an opinion of their firm that the EUTF is a defined contribution plan. Overview by

Lynn Shimono regarding Grant Thornton's letter dated May 4, 2005 and the "Client Advisory Comments". Discussion held by Trustees, auditors, and staff regarding the client advisory comments; corrective actions that need to be taken by staff and a update by the auditor in the next audit. The Administrator will submit a written update responding to the client advisory comments at the next Board meeting. Further discussion by Trustees, auditor, and Deputy Attorney General regarding the definition of "defined contribution plan" for purposes of GASB. Grant Thornton will submit a letter to the Board of Trustees clarifying that the statement "defined contribution" addressed in the audit is not an offered opinion of the auditor that the Trust Fund is a defined contribution plan for purposes of GASB.

F. Carrier's Reports

1. HDS

Written report submitted.

2. HMSA

Written report submitted.

3. Kaiser Permanente

Written report submitted. Ms. Benevides stated that she included health connect slides that Kaiser showed at the open enrollment that are some of the upcoming features that will be coming for Kaiser members in the Summer or Fall.

4. Royal State Insurance

Written report submitted.

5. VSP

Written report submitted.

V. UNFINISHED BUSINESS

A. Medicare Part D, Subpart R, Application for Subsidy

Discussed under the Benefits Committee report.

VI. NEW BUSINESS

A. PeopleSoft Upgrade RFP

Discussed and action taken under the Administrative Committee report.

B. Alternatives to PeopleSoft System

Discussed and action taken under the Administrative Committee report.

C. EUTF Facilities – Option to Lease Additional Space

Discussed and action taken under the Administrative Committee report.

D. COBRA Procedure Manual

Discussed under the Administrative Committee report.

E. Hawaii Uninsured Project

Discussed under the Administrative Committee report.

- F. Extension of Temporary Staff
Discussed and action taken under the Administrative Committee report.
- G. MedAmerica/Hartford Assumption Reinsurance Transaction
Discussed under the Administrative Committee report.
- H. Proposed Legislation Affecting EUTF
Discussed and action taken under the Administrative Committee report.
- I. HMSA Physical Therapy Benefits (letter from Representative Takai)
Discussed and action taken under the Benefits Committee report.
- J. Self Funding and Alternative Funding Methods for EUTF Benefit Plans
Discussed and action taken under the Benefits Committee report.
- K. Carrier Contracts and Rates
To be discussed in Executive Session.

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

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Regular Board meeting scheduled for Wednesday, June 22, 2005, 8:30 a.m., CFT-room 1935.

IX. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 3:30 p.m. to deliberate or make a decision on matters that require the consideration of information that must remain confidential pursuant to federal or state law, and to consult with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities regarding: (1) O'Gorek and Awakuni lawsuits; (2) Benefits Consultant Contract; (3) HIPAA Security Policies and Procedures; (4) PeopleSoft Upgrade RFP No. 05-033-0; (5) Alternatives to PeopleSoft System; (6) Royal State interest; (7) Carrier Contracts and Rates; (8) MedAmerica/Hartford Assumption Reinsurance Transaction; and (9) any other item of business on the board's agenda. (Lewis/Radcliffe) The motion passed. Employer Trustees-4/Employee-Beneficiary Trustees-4)

Recess at 3:30 p.m. and Reconvened at 3:33 p.m.

MOTION was made to move out of Executive Session. (Machida/Recktenwald) The motion passed unanimously. Employer Trustees-5/Employee-Beneficiary Trustees-4)

Executive Session adjourned at 3:38 p.m.

X. ADJOURNMENT

MOTION was made to adjourn the regular meeting. (Radcliffe/Lewis) The motion passed unanimously. (Employer trustees-5/Employee-Beneficiary trustees-4)

The meeting was adjourned at 3:39 p.m.

Respectfully submitted,

/s/

Gerald Machida, Secretary-Treasurer

APPROVED on June 22, 2005 and
APPROVED on August 24, 2005 as amended.

Documents Distributed:

1. Draft Minutes for March 22, 2005.
2. Draft Minutes for April 19, 2005.
3. Memorandum to BOT from Administrator regarding February Administrator Report dated 5/9/05. (3 pages)
4. Memorandum to BOT from Administrator regarding Recommendation to Replace PeopleSoft/HFIMS (4 pages).
5. Memorandum to BOT from Administrator regarding FY 2005-2007 Biennium Budget Bill- House Bill No. 100, HD1, SD1, CD1 dated 5/9//05. (2 pages)
6. Memorandum to BOT from Administrator regarding Recommendation to Exercise Option to Lease Additional Space dated 5/9/05. (3 pages)
7. Garner Consulting May Consultant Report to Board dated 5/6/05. (12 pages)
8. EUTF Statement of Net Assets (Unaudited) dated revised 5/16/05. (1 page)
9. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 9 Months Ended 3/31/05 (Unaudited) dated 5/11/05. (1 page)
10. EUTF Statement of Cash Flows 9 Months ended 3/31/05 dated 5/11/05. (1 page)
11. Letter from Representative Mark Takai regarding HMSA benefits for physical therapy dated 4/15/05. (6 pages)
12. OIP OpenLine - January-March 2005. (2 pages)
13. Approved Minutes for January 19, 2005. (8 pages)
14. Approved Minutes for February 23, 2005. (8 pages)