

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, June 15, 2011

TRUSTEES PRESENT

Mr. Dean Hirata, Chairperson	Mr. Derek Mizuno
Ms. Loretta Fuddy, Vice-Chairperson (arrived 9:20 am)	Ms. Karolyn Mossman
Mr. George Kahooanohano, Secretary-Treasurer	Ms. Celeste Nip
Ms. Audrey Hidano	Ms. Sunshine Topping
Mr. Everett Kaneshige (arrived 9:07 am)	

TRUSTEES ABSENT

Mr. Clifford Uwaine

ATTORNEY

Ms. Diane Erickson, Deputy Attorney General
Ms. Sarah Hiramami, Deputy Attorney General

EUTF STAFF

Ms. Barbara Coriell, Administrator	Mr. Tom Morrison, Consultant
Ms. Sandi Yahiro, Assistant Administrator	Mr. Robert Mitchell, Consultant
Ms. Maria Quartero	Ms. Donna Tonaki
Ms. Kathleen Shiroma	Ms. Nicole Wong

OTHERS PRESENT

Ms. Cassandra Adachi, HRD	Mr. Myles Kiyabu, Royal State
Ms. Lynette Arakawa, HDS	Mr. Blaise Liu, Royal State
Ms. Nikki Bassett, informedRx	Mr. Mark Mahler, Kaiser
Ms. Sandra Benevides, Kaiser Permanente	Mr. Tony Malone, HMSA
Mr. Greg Buscetto, informedRx	Mr. Michael Moss, Kaiser Permanente
Ms. Denise Dias, HMMG	Mr. Harris Nakamoto, HMA
Ms. Monica Engle, VSP	Mr. Larry Nishihara, ABC, LLC
Mr. Christian Fern, HMSA	Ms. Kris Nishimura, HMSA
Ms. Elaine Fujiwara, HDS	Ms. Keren Paris, HWMG
Mr. Mark Fukuhara, ABC, LLC	Ms. Jennifer Ponce, HWMG
Ms. Susan Goya, HGEA-R	Mr. Ronald Scott, HWMG
Ms. Wendy Hamada, HMA	Mr. Phil Takaba, HMSA
Ms. Bonny Kahalewai, Standard	Mr. Vaughn Tokashiki, HSTA-R
Ms. Mae Kishimoto, HSTA-R	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:00 a.m. by Trustee Dean Hirata, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, June 15, 2011.

Ms. Diane Erickson, Deputy Attorney General introduced and the Board welcomed Sarah Hiramami, Deputy Attorney General who will be representing the Board.

Overview by Ms. Barbara Coriell regarding amending agenda item VIII. Future Agenda Items and Next Meeting Date as an action item to change the next regular meeting date.

MOTION was made for the Board to approve amending agenda item VIII. Future Agenda Items and Next Meeting Date as an action item to change the next regular meeting date (Topping/Mizuno). After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

II. MINUTES

The Board reviewed the draft minutes of May 18, 2011. Discussion held by Trustees regarding the minutes and to amend minutes as follows: (1) page 2, line 41, delete “.” after RFP; (2) page 3, line 3, after procedures add “to cancel the RFP”; (3) page 3, line 11, delete “and it appeared to” and add “which contradicted”; (3) page 3, line 24, after 9:00 a.m. add “with no meetings for the months of November 2011 and April 2012”; (4) page 7, line 39, after place add “and”; and (5) page 7, line 41, delete “it” and add “more time would not be necessary”.

MOTION was made to approve the minutes of May 18, 2011 as amended. (Topping/Mizuno) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

III. REPORTS

A. Administrator

1. Mental Health Parity and Addiction Equity Act of 2008

Overview by Ms. Barbara Coriell regarding the background of the Mental Health Parity and Addiction Equity Act of 2008 and the effective date this Act should be implemented. Ms. Coriell stated HMSA implemented the Mental Health Parity Act on July 1, 2010, and the EUTF Board was notified at that time. It was brought to the EUTF's attention that HMA's program was not implemented. In doing research, the EUTF agrees with HMSA that the effective date this plan should be implemented is July 1, 2010. The EUTF does not believe HMA would have any claims but will request that HMA review retroactively cover any claims if they do. [Trustee Kaneshige arrived at 9:07 a.m.)

2. OPEB Valuation RFP

Overview by Ms. Coriell regarding the OPEB Valuation. The EUTF acts as the coordinator for the OPEB Valuation. Ms. Coriell stated that Aon has done the valuation from the beginning. The contract expires at the end of this year. In reviewing the contract, a supplemental contract can be executed but work would need to be done by the end of this year. In speaking with Brad Au from Aon, he stated that Aon would be able to complete the valuation by the end of the year and would do the valuation for the same price. It would be to the EUTF's advantage to remain with the same company who knows the EUTF and data and if it is done now it is fresh in everyone's mind so it should not take long. The EUTF staff and

deputy attorney general will review this matter, contact SPO and employers to make sure this is a good course of action. If it is agreeable with all parties, the administrator will present a recommendation to the Board at the next Board meeting to execute a supplemental contract. If it is not agreeable, a recommendation to issue an RFP will be recommended. Discussion held by Trustees and staff regarding concerns expressed by Trustees if Aon will be able to complete the valuation by the end of this year and to make it very clear to Aon that the valuation needs to be completed by the end of the year. Trustee Hidano stated that she would like to make sure that EUTF procedures for procurement are in order and the EUTF Administrative Rules are updated and current. Ms. Coriell stated that the EUTF Administrative Rules are the next priority after the RFPs are completed. Further discussion by the Trustees and staff regarding the issuance and timeline of an RFP if a supplemental contract will not be done.

3. Update on Clearance/Certificates

Updated list of 2011 Clearances/Certificate of Insurance were distributed to the Trustees. Discussion held by Trustees and staff regarding pending or outstanding clearances and Certificates of Insurance. [Trustee Fuddy arrived at 9:20 a.m.]

4. IFEBP Annual Conference, 10/30/11-11/2/11

Overview by Ms. Coriell regarding the IFEBP Annual Conference. Ms. Coriell stated that additional information and a justification to attend the conference will be submitted at the next Board meeting. Discussion held by Trustees and staff regarding the criteria used for Trustees and staff to attend the IFEBP conference. It was noted that the conference is very beneficial for all Trustees, especially new Trustees. There was discussion on the cost of the conference, including registration fees and travel costs.

B. EUTF Managers' June Operational Reports

1. Member Services

Overview by Ms. Nicole Wong regarding the MSB report (see MSB Operations report). Discussion held by Trustees and staff regarding pending enrollment documents. Chair Hirata requested that Ms. Wong provide more information/details in written report regarding reason(s) for pending enrollment documents.

Discussion held by Trustees, staff and deputy attorney general regarding the age 26 provision and when the EUTF Administrative Rules will be updated. Chair Hirata requested that the EUTF Administrator provide a list of Administrative Rules changes at the July Board meeting.

2. IT

Overview by Ms. Kathleen Shiroma regarding the IT Operations report (see IT Operations report).

3. Accounting

Overview by Ms. Donna Tonaki regarding the Accounting Operations report (see Accounting Operations report). Discussion held by Trustees and staff regarding issues of the FY10 Financial Audit which is not complete and is one of the items holding up the State's Comprehensive Annual Financial Report (CAFR), and if liquidated damages can be assessed. Ms. Diane Erickson stated that she does not have a copy of the contract because it is with the Legislative Auditor's office and will follow-up and report back to the Board.

a. Financial Report as of April 30, 2011

Overview by Ms. Tonaki regarding the Financial Report as of April 30, 2011. Discussion held by Trustees, staff and benefits consultant regarding the "Statement of Net Assets", line item 10-drug rebates. The EUTF staff and benefits consultant will request that a quarterly report for drug rebates be submitted. Discussion held by Trustees and staff regarding line items 20-retainage payable to Vitech, 21-retrospective premium payable; and 34-invested in capital assets, and unrestricted gains. Ms. Tonaki will provide details regarding the unrestricted gains to the Board. Overview by Ms. Tonaki regarding the "Combined Statement of Revenue and Expenses". Discussion held by Trustees and staff regarding line item 14-personnel services (overtime, furloughs, and vacancies). Ms. Tonaki explained, effective March 2011, the EUTF furloughs ended so overtime was not approved. Chair Hirata requested that the report reflect that it is not because overtime was not approved but is no longer necessary because furloughs ended effective March 2011 and to remove comment "Therefore, by year end, there will be savings in this account by approximately \$350,000." Overview by Ms. Tonaki regarding the "Statement of Cash Flows". The year to date, 10 Months Summary of Experience Accounting of Self Funded Plans for FYE 6-30-2011 was distributed to the Board. Discussion held by Trustees and staff regarding what the relevance of the actives showing a deficit except for one vendor. Ms. Coriell stated that it will basically be addressed through the RFP.

C. Segal Report

1. Plan Financial Data – HSTA Data

Mr. Tom Morrison stated the HSTA data was inadvertently left out of the Board packet and will provide the information at the next Board meeting. Mr. Morrison reported that the net product of the two plans (80/20 and 90/10) is zeroing out income to expense, where one plan is running a surplus year to date which is equal to the deficit being run by the other plan. The principal reason for the surplus is the newness of the plan. The reserves are actually still being brought out from the old VEBA plans and it is expected that there are some accumulation of surplus in the first quarter to create new reserves.

2. Health Care Reform

a. Non-Compliant Supplemental Plans

Mr. Morrison reported that the EUTF has not received an affirmative waiver back from the Department of Health and Human Services (HHS) for the supplemental plans being offered by the EUTF. Absent the receipt of the waiver to those limited benefits plans, the limits that are in the supplemental plans will need to be removed by July 1, 2011. The limits are the lifetime and an annual maximum. HMSA is prepared to modify the limits in case the EUTF does not get the waiver. Two weeks ago, Aon did inquire on the status of the waiver. First, due to a lot of government plans being July 1 plans, HHS is backlogged. Secondly, because the waiver is only granted one year at a time, those plans that applied last year must re-apply this year.

Mr. Morrison stated absent the receipt of a waiver the premium will have to be increased on the supplemental plans to accommodate the removal of the annual and lifetime limitations that are in the plans. Segal will obtain an estimated impact from the current administrators of those plans to see how much premiums will have to be adjusted on the supplemental plans. Discussion held by Trustees, staff and benefits consultant regarding if there would be significant increases for the supplemental plans and if the EUTF would be in non-compliance of the Judge's ruling. Mr. Morrison stated that the conflict was spelled out in the formal application that if the EUTF complied with the federal law they may be in non-compliance with the Judge's ruling that put the EUTF in a bind and asked if they could give the temporary waiver to the annual maximum limitation. There are no waivers from the lifetime limitation. There are very low enrollments in these supplemental plans. The co-pay plan that Royal State provides to the EUTF is not a medical plan as determined by its legal counsel of the Affordable Care Act and does not have to be modified.

b. Loss of Grandfather Status

Along with the need for a waiver for the supplemental plans under the Affordable Care Act the EUTF current plans are considered grandfathered until the expiration of this fiscal year. Changes that have been made to employer premium contributions have caused the EUTF Trust to lose its grandfather status effective July 1, 2011. The EUTF plans will now have to implement several provisions including preventive and wellness service benefits with no co-payment. A list of U.S. Preventative Services Task Force Recommendations from the HealthCare.gov website was distributed to the Board. The EUTF plans will be amended and expanded effective July 1, 2011 for the active plan only, retirees are exempted from the law. Other provisions of the Affordable Care Act of non-grandfathered plans that the EUTF will have to comply with include emergency room treatment out-of-network at the same plan reimbursement level as in network. Discussion held by Trustees, staff and benefits consultant regarding costs sharing and increased costs. Segal has a generic estimate of

what other clients have seen in terms of the increased costs due to the implementation of these provisions, ranging from 2% to 4% increase in annual costs depending upon how many of those services are already included in the plan. Discussion held by Trustees, staff and deputy attorney general regarding if there is an analysis of whether or not the 2% increase is offset by reduced expenses for illnesses. Mr. Morrison stated there is no immediate reduction, you are trying to prevent something earlier than further down the line. Ms. Coriell stated the increase in costs would be the increase in claim costs and the EUTF predominant plans are self funded. Kaiser is about 25% of the group and is fully insured. We may see an offset in claims. The current rates that we charge employers and employees would hold until the end of the year. Then January 1, the rates will be set from the RFP process. Discussion held by Trustees, staff and benefits consultant if it would impact the premiums that are set January 1, 2012. Mr. Morrison stated for the self funded plans, yes. The rates setting processing for self funded plans has not commenced yet but will take this into consideration. Mr. Morrison stated another important provision, which only applies to active plans, deals with handling claims and appeals and gave an overview regarding the new procedures which supersedes the EUTF Administrative Rules (see Segal handout "Claim and Appeal Regulations under Health Care Reform" dated 5/18/11). Under item 2. Urgent Care Claims, Mr. Morrison stated that many of the urgent care claims are the responsibility of the insurance carriers. This law in respect to claims and appeals is restricted to health and prescription coverages because the dental and vision are considered non-essential benefits and excluded from the Affordable Care Act. Under item 4. Conflicts of Interest, Mr. Morrison stated that the EUTF Administrative Rules rely on an internal department within the State to assist the EUTF and would need to be amended because the plans must only seek reviews by independent review organizations as defined in the law and have no affiliation with any medical provider the EUTF is currently doing business with. Under item 5. Notification, the third paragraph under "Notices, including Explanation of Benefits and Denial must include" is deferred indefinitely. Under item 6. Redress for Errors by Plan, Mr. Morrison stated that this law now gives a claimant who is not handled procedurally correct access to the federal courts. It is very important that the process be followed exactly. These procedures are an additional layer of responsibility for the Board to undertake particularly for self-insured plans. For the fully-insured plans, the internal appeals process is the responsibility of the third party insurer. Discussion held by Trustees, staff and benefits consultant regarding the effective date of services for appeals. Mr. Morrison stated that it is a gray area in the regulations but the subsequent FAQ indicate that these apply to the appeals for denial of benefits for service incurred on or after the effective date of the loss of grandfather status. The earliest the EUTF Board may see an appeal would be in late August or early September. The Board may want to look at establishing rules and procedures that need to be written and reviewed by the Attorney General's office, need

contract with independent review organizations or have a checklist of those that can be hired on the spot allowing for testimony and documentation. Discussion held by Trustees, staff and benefits consultant regarding the timeline and procedures of an appeal, if EUTF administrative fees were factored in and the EUTF's next steps. In regards to EUTF's next steps, Ms. Coriell will be discussing with Segal what other clients are putting together and put together an Administrative Committee to review recommendations by the EUTF staff. Trustee Kaneshige stated that DCCA through the Insurance Commissioner got legislation approved that specifically dealt with the external review process compliant with the NAIC model and other items that may be applicable July 1. The deputy attorney general will follow-up with DCCA, Insurance Commissioner. Discussion held by Trustees, staff, and benefits consultant regarding coverage for age 26 when the EUTF loses grandfather status and an open enrollment would be needed.

IV. ELECTION OF OFFICERS FOR FY12

Overview by Ms. Coriell regarding the procedures for election of officers.

Ms. Diane Erickson stated that only two Trustees can meet and more than two Trustees may not meet in person or on the phone.

Trustee George Kahoohanohano was nominated for Chairperson. (Mizuno)

MOTION was made to close nomination. (Mossman/Nip). The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

Trustee George Kahoohanohano was elected Chairperson by virtue of being the only trustee nominated for that position.

Discussion held by Trustees and deputy attorney general regarding deferring the election of Vice-chairperson. Ms. Diane Erickson stated that if a Vice-chairperson is not elected, there will be no Vice-chairperson.

MOTION was made for the Board to approve to defer the election of Vice-chairperson. (Mizuno/Mossman) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

Trustee Dean Hirata was nominated for Secretary-Treasurer. (Hidano)

MOTION was made to close nomination. (Mossman/Hidano). The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

Trustee Dean Hirata was elected Secretary-Treasurer by virtue of being the only trustee nominated for that position.

Recessed at 10:57 a.m. and Reconvened at 11:05 a.m.

V. OLD BUSINESS

A. Early Retiree Reinsurance Program Status Update

Overview by Ms. Coriell regarding the status on the Early Retiree Reinsurance program reimbursements (see Aon's ERRP report dated 5/11/11). Ms. Coriell stated the most significant issue is that a couple of months ago, the Federal Government decided to make a change in the computer format for the data. Once you change a computer format, everyone has to reformat everything and because it is a duplicative process, you would have to send all the data so the Federal Government would match the data and reimburse only the new data so old submissions will need to be reformatted into the new computer format also. Everyone is delayed and a date cannot be given on when the next reimbursements will be submitted. The EUTF is working with Aon and all the carriers to make sure they are working on the new format. Discussion held by Trustees and staff regarding Aon's timeline that the second reimbursement should not be a problem because it was before April.

Mr. Morrison stated that the specifications were changed in April, which means if any work was done before April it would have to be reformatted pursuant to the new specifications. Any work Aon was doing before April would have to be reformatted. Ms. Corriell will give an updated report to the Board next week on the progress of all carriers. Discussion held by Trustees, staff and benefits consultant regarding the process and requirements for the submittal of reimbursements and notifications that is required to be sent to all participants. Ms. Coriell stated that the notice to actives was sent and the notice to retirees will be sent at the end of this month through the ERS Newsletter. Mr. Morrison stated, under the federal law, the EUTF is only required to say that EUTF is participating in the ERRP program as provided under federal law including the disclosure. Discussion held by Trustees, staff and benefits consultant that it does say it needs to be documented. Mr. Morrison stated, yes, internally in case of an audit. The EUTF has to demonstrate upon audit that the funds do not violate the regulations regarding how funds can be used. The funds can be used to offset some of the EUTF's increase in cost for actives and retirees within certain boundaries. Discussion held by Trustees, staff and benefits consultant on how the EUTF should document. Mr. Morrison stated it is done through the accounting records. Discussion held by Trustees, staff and benefits consultant regarding documents to be submitted by HMSA. Mr. Christian Fern from HMSA stated that HMSA submitted the documents to Aon. Ms. Sandra Benevides from Kaiser stated that Kaiser is working on it and may be ready in August for claims from 2010. Trustee Hidano expressed her concern that the EUTF could have received more if Kaiser and HMA claims were submitted. Chair Hirata requested that the EUTF administrator provide a detailed report on what carriers submitted claims to Aon and for what period did the claims cover and what is still pending.

VI. CARRIER REPORTS

A. HDS

Written report submitted.

B. HMSA

Written report submitted.

C. HMA

Written report submitted.

D. informedRX & NMHC

Written report submitted.

E. Kaiser

Written report distributed to Board today. Ms. Benevides introduced Mark Mahler

F. Royal State

Written report submitted.

G. Standard Insurance

Written report submitted.

H. VSP

No written report submitted.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

Mr. Vaughn Tokashiki, member of the public, commented that he was also contacted and said good things and is pleased with the EUTF and that he was not concerned about the unfunded liability regarding an article on OPEB written by Civil Beat.

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

A. July 12, 2011, 9:00 a.m. – Regular Board Meeting.

Chair Hirata stated that due to the timing of some RFPs and the delay in the prescription drug RFP, a request was made to change the meeting date to July 19, 2011. Discussion held by Trustees regarding meeting dates. Trustee Mossman stated that she would not be available and Trustee Hidano stated she may not be available.

MOTION was made for the Board to approve to change the date of the regular Board meeting from July 12, 2011 to July 19, 2011. (Mizuno/Kaneshige) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

IX. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 11:37 a.m. for the reasons stated on the agenda. (Nip/Topping) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

Executive Session adjourned at 12:35 p.m.

The Board has taken the following actions in Executive Session:

1. Approval of award of contract for RFP No. 11-02 – Vision, subject to submittal of all clearances and Certificate of Insurance.
2. Approval of award of contract for RFP No. 11-03 – Dental, subject to submittal of all clearances and Certificate of Insurance.
3. Approval of award of contract for RFP No. 11-04 – Life, subject to submittal of all clearances and Certificate of Insurance.

X. ADJOURNMENT

There being no objections, the meeting adjourned at 12:37 p.m.

Respectfully submitted,

/s/

George Kahooanohano, Secretary-Treasurer

APPROVED on July 19, 2011 as amended.

Documents Distributed:

1. Draft Board Minutes for May 18, 2011. (11 pages)
2. Memorandum to BOT from MSB Manager Regarding MSB Operations Report dated 6/7/11. (2 pages)
3. Memorandum to BOT from IS Analyst Regarding June IT Operations Report dated 6/9/11. (9 pages)
4. Memorandum to BOT from Financial Management Officer Regarding Accounting Operations Report-May/June 2011 dated 6/9/11. (1 page)
5. EUTF Statement of Net Assets (Unaudited) dated 6/7/11. (1 page)
6. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 10 Months Ended 4/20/11 (Unaudited) dated 6/5/11. (1 page)
7. EUTF Statement of Cash Flows 10 Months Ended 4/30/11 (Unaudited) dated 5/2/11. (1 page)
8. EUTF Statement of Net Assets (Unaudited) dated 5/10/11. (1 page)
9. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 9 Months Ended 3/31/11 (Unaudited) dated 5/10/11. (1 page)
10. EUTF Statement of Cash Flows 9 Months Ended 3/31/11 (Unaudited) dated 5/2/11. (1 page)
11. U.S. Preventative Services Task Force Recommendations printed 6/10/11. (5 pages)
12. Segal Health Care Reform Insights for January 2011. (4 pages)
13. Segal Health Care Reform Insights for February 2011. (5 pages)
14. Claim and Appeal Regulations under Health Care Reform dated 5/18/11 by Segal. (10 pages)
15. Excerpt from EUTF Administrative Rules, Section 1.03-1.06 filed on 1/21/10. (2 pages)