

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Thursday, June 24, 2004

TRUSTEES PRESENT

Mr. Will Miyake, Chairperson	Mr. Stanley Shiraki
Ms. Joan Lewis, Vice-Chairperson	Ms. Katherine Thomason
Mr. John Radcliffe	Ms. Kathleen Watanabe

TRUSTEES ABSENT

Mr. Nelson Befitel	Mr. Dayton Nakanelua
Mr. Gerald Machida	Mr. Mark Recktenwald

ATTORNEY

Mr. Russell Suzuki, Deputy Attorney General

EUTF STAFF

Mr. H. Mark Fukuhara, Administrator	Mr. John Garner, Consultant
Ms. Maria Quartero	Ms. Donna Tonaki

OTHERS PRESENT

Mr. Gary Asato, Kaiser Permanente	Ms. Lilia Yu Lum, Royal State
Mr. Tracy Ban, B&F	Mr. Norbert Mendes, HDS
Ms. Sandra Benevides, Kaiser Permanente	Mr. Michael Moss, HMSA
Ms. Venus Gabuyo, MBAH	Ms. Gertrude Nitta, HGEA-R
Ms. Jeri Kakuno, MDX Hawaii-Aetna Life	Ms. Susan Pestana, HSTA-MBC
Ms. Ruth Kim, HSRTA	Ms. Roxane Rosa
Ms. Doreen Kuroda, DHRD	Mr. Rod Tam, HMSA

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:01 a.m. by Trustee Will Miyake, Chairperson, in Conference Room 405, Leiopapa A Kamehameha Building, 235 South Beretania Street, Honolulu, Hawaii, on Thursday, June 24, 2004.

II. APPROVAL OF MINUTES: None

Trustee Thomason requested that the minutes be provided on a timely basis.

III. COMMITTEE REPORTS

A. ADMINISTRATIVE COMMITTEE

Trustee Watanabe reported, on behalf of Chair Recktenwald, the following:

1. Letter from Representative Dwight Takamine Regarding UHPA Health Benefits
The Office of Collective Bargaining will be responding to Representative Takamine's request.

2. Research by Garner Consulting on How Other Entities Handle the Chicken and Egg Situation-Defined Contributions
Mr. Garner will do further research by what other States are doing including if there are cut-off dates for contract negotiations. The Administrative Committee will identify other options for the Board to consider.
3. Proposed Administrative Rule Change Regarding Adoptions & Foster Children
By consensus of the Administrative Committee, recommendation was made that the Board approve the version of the proposed administrative rule change regarding adoptions and foster children that does not include hanai children. The Administrative Committee will further consider whether the hanai issue should be addressed through a legislative proposal. Discussion held by Trustees and staff regarding offering benefits for hanai children. Mr. Suzuki stated that the concept of what hanai is in the legal context it was an inheritance concept of how people who have traditionally practiced it in the Hawaiian culture could inherit from someone that was not their direct relative, to expand that to non-practicing Hawaiians is the problem. The statute or legislature has not conferred that kind of recognition yet. The traditional definition for hanai children is limited to people who are of Hawaiian ancestry or practice the traditional concept, a haole or foreigner would not necessarily be recognized as practicing the hanai concept. There is no legal definition for hanai children. Further discussion held by Trustees and staff regarding the legality of offering benefits to hanai children.

MOTION was made for the Board to approve that the Administrative Committee develop language relating to the definition of hanai and the ability of the EUTF to offer benefits to hanai families, subject to review and approval of the Full Board.

(Lewis/Watanabe) After discussion by the Trustees, the motion passed unanimously.
(Employer Trustees-3/Employee-Beneficiary Trustees-3)

MOTION was made upon the recommendation of the Administrative Committee for the Board to approve the version of the proposed administrative rule change regarding adoptions and foster children that does not include hanai children. After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

4. Health Fund Refund Project
The administrator gave the committee an overview on the health fund refund project and stated that more information will be presented at the next Administrative Committee meeting.
5. Financial Report as of 4/30/04
There were no significant changes on the financial report.
6. Process/Procedures to Communicate New Benefit Plans and/or Change in Benefits, Tiers, or Premiums to Employers

By consensus of the Administrative Committee, recommendation was made for the Board to establish a policy of sending items requiring collective bargaining to the County personnel directors and also for the administrator to attend one of the Council of Personnel Directors meetings in order to establish better communication and rapport.

There being no objections by the Trustees, the Board approved that communications be improved with the County personnel directors and for the administrator to attend one of the Council of Personnel Directors meetings.

7. Plan for FY2004-2005 Committee Meetings

By consensus of the Administrative Committee, the plan for FY2004-2005 committee meetings would serve as a guideline, subject to change throughout the year.

8. Recruitment of Administrator

By consensus of the Administrative Committee, recommendation was made that the Board approve the recruitment schedule and the request to fill administrator's position. A pay range was set at \$100,000 - \$150,000. Discussion held by Trustees regarding the pay range and the extension of the administrator beyond August 9, 2004.

MOTION was made upon the recommendation of the Administrative Committee for the Board to approve the pay range of \$100,000-\$150,000 and the request to fill the administrator's position.

Further discussion and concerns by the Trustees regarding the pay range for the budgeted amount of \$150,000 or to offer a higher range of \$200,000 and if the Board has the authority to offer a higher range.

AMENDED MOTION was made for the Board to approve the pay range of \$130,000 - \$175,000. (Lewis/Miyake)

Further discussion held by Trustees and staff regarding if there is sufficient money in the budget and the advertisement requiring 5 years of health benefits experience. Trustee Watanabe stated that if employee Trustees are adamant to keep the advertisement as is and if that is what it takes to move forward, then she will support it but she hopes that we are successful in attracting qualified applicants.

MOTION was made for the Board to approve the original minimum requirements of the position and to go forward with submitting the request to fill the position with the dollar amount of salary blank, state that the salary is commensurate with experience and that the salary amount will be determined at a later point in time. (Watanabe/Radcliffe) The motion was passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

Chair Miyake stated that he would like the Administrator to stay on beyond the August 9 extension because of upcoming issues that need to be handled including an approved

budget, refund project, and rule changes. Mr. Fukuhara stated that given the time to get approvals, the recruitment schedule is aggressive. The last time the biennium budget was submitted in September. He is concerned for the management staff. Given that the two committees adopted the draft plan for the next 12 months, the RFP is coming up in August/September meetings.

Recess at 5:10 p.m. – Reconvene at 5:22 p.m.

There being no objections by the Trustees, Chair Miyake clarified that the request to fill position will go forward with the dollar amount of the rate of pay blank and to say that the salary be commensurate with experience. Trustee Watanabe also clarified that the EUTF staff would submit the advertisement with the assistance of DHRD.

B. BENEFITS COMMITTEE

Trustee Radcliffe reported on:

1. HMO/ EPO Coverage on Kauai

Kaiser has revised their position and is willing to continue to offer coverage on Kauai with the current network of providers via Kauai Medical Group through the end of the year and will then develop a new network of providers before January 2005 so coverage can continue through the contract year.

By consensus of the Benefits Committee, recommendation was made for the Board to approve the Kaiser proposal with the benefits and rates to remain the same as statewide, to leave members that were switched to HMSA effective July 1, 2004 and to notify these members and all other employees/retirees that reside on Kauai that they have the option to switch to Kaiser effective August 1, 2004. The motion was passed unanimously. (Employer Trustees-3/Employer-Beneficiary Trustees-3)

2. Kaiser Active/Retiree Rates Reduced

No action was taken, pending Trustee Shiraki's research regarding the reduced rates for actives and retirees. Trustee Shiraki stated that he was not able to check on the actives and is not able to make a recommendation at this time because collective bargaining issues need to be discussed. For the retirees, Trustee Shiraki proposed that the Trustees accept Kaiser's new rates. Overview by Trustee Miyake that the Insurance Commissioner reduced the Kaiser rates by approximately 2% and that the Board needs to decide what should be charged. The retirees' rates should be reduced but if the active rates were reduced, they would be subject to collective bargaining to determine what the impact, if any, would be on active employees' contribution amounts. Trustee Shiraki stated that if the Board does not accept the reduced active rates, the credit would carry over and be reduced effective July 1, 2005. Chair Miyake stated that it might become an issue by the participant if it is publicly known that the rates went down and the Board did not change the rates. Further discussion by the Trustees and consultant regarding the Kaiser reduced rates for the active employees. John Garner is recommending that the

Board reduce the Kaiser rates for the retirees and COBRA rates as changes in rates for actives may be subject to collective bargaining. Further discussion by the Trustees regarding the language of the collective bargaining agreements on the percentage or dollar amount, the Kaiser reduced rates, and what should be charged.

MOTION was made for the Board to approve the Kaiser reduced rates for the retirees and COBRA Rates (Lewis/Radcliffe) The motion was passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

By consensus of the Benefits Committee, recommendation was made for the Board to approve notifying the Office of Collective Bargaining that the Board intends to accept the lower rates for Kaiser actives and that it is the Board's interpretation that it does not require a change in collective bargaining. The motion was passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

3. Extension of Contract/RFP

No action was taken, deferred to the full Board.

MOTION was made for the Board to approve to go out for an RFP for all benefits using the 2, 3 and 4 tier structures. (Thomason/Shiraki) After discussion by the Trustees, the motion was passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

Trustee Radcliffe stated that it is the Board's fiduciary duty to study the tiering options again as it has done in the past. Further discussion by the Trustees regarding offering stand-alone coverage for medical and prescription drug. John Garner is recommending that the Board keep the medical and drug bundled until the EUTF has enough reserves to be self-funded and assume the risk for offering the plans unbundled. Then there are advantages to unbundling. He stated that it is unfair to ask the insurance company to take a risk on medical if someone else has the risk on prescription drugs because a lot of medical costs are related to prescription drug costs. It is important to keep both together to get the incentives aligned to keep total costs as low as possible rather than have one vendor keep costs low at another vendor's expense. Further discussion by the Trustees and consultant regarding stand-alone versus bundled and the formulary for drugs.

IV. OTHER REPORTS

A. ADMINISTRATOR

Mr. Fukuhara submitted Administrator's Update/Report (see handout)

1. Letter from Royal State Regarding Payment (see handout)

Mr. Fukuhara gave an update on the Royal State payment and there is a concern that Royal State may take legal action if the Board does not take any action. He is recommending that the Board approve to pay the employer's portion that was paid by the counties and the employee contributions collected via payroll deductions.

Discussion held by Trustees and staff regarding the payment received by the employers

except for the State, no signed collective bargaining agreements, and what is required by DAGS to process payment. Trustee Shiraki requested that the EUTF submit two journal vouchers; one to include what the counties and employees have paid and the other on what the State owes.

MOTION was made for the Board to approve for the EUTF to submit payment to Royal State. The motion was passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

2. Collective Bargaining Agreements

Mr. Fukuhara gave an update that Ted Hong informed him that a tentative agreement was reached with UPW but needs to be ratified. Mr. Fukuhara notified Mr. Hong that UPW currently has the highest employer contributions; therefore, the EUTF is tying in UHPA to the UPW contributions until we get word in the future regarding lower employer contributions for UPW. The reason is because UHPA has an agreement that their members will get the highest employer contributions negotiated by any other union. Mr. Fukuhara wants the Board to be aware that effective July 1, 2004, UHPA will be tied in with UPW and if the UPW membership ratifies the lower employer contribution amounts that were negotiated with OCB, UHPA will no longer tie in with UPW and instead will be tied in with HSTA contribution amounts. A letter was sent to Mr. Hong yesterday summarizing what was discussed.

3. Medicare Part B Checks

The next quarterly Medicare Part B checks will be mailed by July 1, 2004. Language was added with the checks notifying them that there is no benefit for them to buy Medicare prescription drug discount cards.

4. RFP for Consultant for PeopleSoft Upgrade

The deadline for proposals was yesterday and the EUTF received two proposals. The evaluation committee met today and determined that both proposals came in under budget and met all requirements. The evaluation committee was unanimous in determining that one of the vendor's proposal was superior. Reference checks will be conducted and the intent is to execute the contract with the vendor next week and encumber the moneys before the end of this month.

5. Selection of Auditor

Grant Thornton was selected as the auditor for the EUTF audit.

6. Settlement Regarding HGEA

A letter from Gordon Murakami of Royal was received. Bert Nishihara and Gordon Murakami are working together to finalize the HGEA settlement. A report will be submitted at the next meeting regarding all the various PEHF remaining tasks, all of which should be done with the possible exception of the final settlement with HGEA.

7. Evaluation for Administrator

Mr. Fukuhara has requested that the Board still do an evaluation and would like to know on what basis the Board will perform the evaluation before it is done. Discussion held by Trustees regarding the blank evaluation that was submitted by Trustee Watanabe. Trustee Watanabe clarified that it is for a new hire. Further discussion by the Trustees regarding performance evaluations and forming a personnel committee. Mr. Fukuhara stated that it has been two years since he started working at EUTF and that he is okay to have the evaluation discussed in a public session. Chair Miyake stated that the new committee needs to establish how it is going to perform the evaluation.

B. DEPUTY ATTORNEY GENERAL: None

C. BENEFITS CONSULTANT

Mr. Garner reported:

1. Regulation of COBRA Notices

The Federal Department of Labor issued regulations on COBRA notices and that the EUTF has a year (July 1, 2005) to comply. Garner Consulting will work with the EUTF staff and the carriers to make sure everything is in compliance on time.

2. Pharmaceutical Care Network (PCN)

Mark Fukuhara referred PCN to him. PCN was hired by the Ohio State retirement System to do an analysis of prescribing patterns and try to find opportunities for quality improvement and cost reductions. PCN has offered to do a free analysis for the State of Hawaii if they could get some data from HMSA and report back to the EUTF Board. Discussion held by Trustees and the consultant regarding concerns about procurement and opening the free offer to other vendors, what effect it would have on PCN regarding the RFP, information to be provided by HMSA, and the benefits the analysis would have for the EUTF. By consensus of the Trustees, this matter is deferred.

3. GASB-Rules to Expose long-term Cost of Health Plans (deferred)

Garner Consulting is working with DAGS.

4. Garner Consulting Bulletin for May 2004(see handout)

D. Carrier's Reports

1. Mutual Benefit Association of Hawaii
2. Hawaii Dental Service
3. Kaiser Permanente
4. HMSA

V. UNFINISHED BUSINESS: None

VI. NEW BUSINESS

A. New Officers of the Board and Changes to Committee Chairs and/or Members

Recess at 6:43 p.m. – Reconvene at 7 p.m.

MOTION was made for the Board to approve Trustee Katherine Thomason as Chairperson effective July 1, 2004. (Shiraki/Watanabe) The motion was passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

MOTION was made for the Board to approve Trustee Kathleen Watanabe as Vice-chairperson effective July 1, 2004. (Thomason/Shiraki) The motion was passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

MOTION was made for the Board to approve Trustee Gerald Machida as Secretary-Treasurer effective July 1, 2004. (Radcliffe/Thomason) The motion was passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

MOTION was made for the Board to approve that the current Chairs of the Administrative and Benefits Committee to remain the same. (Shiraki/Watanabe) The motion was passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

B. Attendance of Trustees at Meetings

Deferred to the Administrative Committee for July 2004.

Trustee Lewis stated that she will be out of state and unavailable for the July 21, 2004 meeting. She added that she has no intention of stepping down from her position. She also pointed out that like every Trustee here that she is a public employee and it is difficult for her to attend meetings on certain months of the school year and is asking that the Board to consider meeting outside of the school day. Discussion held by Trustees regarding meeting days and times.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

- A. Memorandum from Representative Takamine dated 5/24/04 and the response from the Director of Finance dated 6/1/04 (see handout).
- B. The High Road for May 2004 (see handout).
- C. Openline for March and April 2004 (see handouts).
- D. Resignation from Trustee Harold DeCosta dated 6/10/04.
- E. Appointment Letter for Nelson Befitel from Governor Lingle dated 6/10/04.

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

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- Regular Board meeting scheduled for Wednesday, July 21, 2004, SOT room 405 at 9 a.m.
- Administrative Committee meeting scheduled for Tuesday, July 20, 2004, SOT room 405 at 1 p.m.
- Benefits Committee meeting scheduled for Tuesday, July 20, 2004, SOT room 405, time to be arranged.

Chair Miyake stated that the Administrator has agreed to stay until September 30, 2004.

IX. EXECUTIVE SESSION: None

X. ADJOURNMENT

MOTION was made to adjourn the regular meeting. (Radcliffe/Thomason) The motion passed unanimously. (Employer trustees-3/Employee-Beneficiary trustees-3)

The meeting was adjourned at 7:08 p.m.

Respectfully submitted,

/s/

Gerald K. Machida, Chairperson

APPROVED on August 9, 2004.

Documents Distributed:

1. RFP Proposed Timelines dated 6/24/04. (2 pages)
2. Administrator's Update/Report dated 6/16/04. (2 pages)
3. Memorandum to Ted Hong Regarding Changes in Employer Contributions for UPW & UHPA dated 6/7/04. (2 pages)
4. Letter from Mark Fukuhara Regarding Extension of Resignation dated 6/7/04. (1 page)
5. Letter from Gordon Murakami of Royal Insurance Agency Regarding Balance Owed to PEHF dated 6/15/04. (1 page)
6. Letter from Lilia Yu-Lum of Royal State National Insurance Regarding Premiums Past Due dated 6/22/04. (1 page)
7. Memorandum to Ted Hong Regarding Employer Contributions for UPW & UHPA Effective 7/1/04 dated 6/23/04. (1 page)
8. Article from New York Times Regarding Rules to Expose Long-Term Cost of Health Plans dated 6/21/04. (3 pages)
9. Garner Bulletin for May 2004. (2 pages)
10. Memorandum from Rep. Dwight Takamine Regarding UHPA & EUTF dated 5/24/04 & Response from Georgina Kawamura dated 6/1/04. (2 pages)

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11. Memorandum from Russ Saito (DAGS) Regarding Selection of Independent Auditor dated 5/26/04. (2 pages)
12. The High Road Bulletin for May 2004. (2 pages)
13. Openline Bulletin for March 2004. (2 pages)
14. Openline Bulletin for April 2004. (2 pages)
15. Resignation Letter from Trustee Harold DeCosta dated 6/10/04. (1 page)
16. Letter from Governor Lingle Regarding Appointment of Nelson Befitel dated 6/10/04. (1 page)
17. Approved Board Minutes for 2/26/03. (6 pages)
18. Approved Board Minutes for 10/1/03. (10 pages)
19. Approved Board Minutes for 10/22/03. (5 pages)
20. Approved Board Minutes for 11/19/03. (8 pages)
21. Approved Board Minutes for 1/23/04. (12 pages)