

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, July 15, 2009

TRUSTEES PRESENT

Mr. George Kahooanohano, Chairperson
Mr. Stanley Shiraki, Secretary-Treasurer (arrived 9:07 am)
Ms. Barbara Annis
Mr. Ron Boyer
Mr. Darwin Ching
Ms. Elizabeth Ho (arrived 9:09 am)
Dr. Carl Daeufer
Ms. Marie Laderta (arrived 9:04 am)
Mr. John Radcliffe

TRUSTEES ABSENT

Mr. Guy Fujio, Vice Chairperson

ATTORNEY

Mr. Russell Suzuki, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator
Mr. Lawrence Nishihara
Ms. Kathleen Shiroma
Ms. Donna Tonaki
Mr. Timothy Nimmer, Consultant (via conference call)
Mr. Mark Fukuhara, Consultant
Mr. Justin Kindy, Consultant (via conference call)
Ms. Joni Tamayo-Wilson, Consultant

OTHERS PRESENT

Ms. Lynette Arakawa, HDS
Ms. Nikki Bassett, informedRx (NMHC)
Ms. Irene Bayudan, VSP
Mr. Larry Burgess, Hoana
Mr. Cory Fujii, Longs Drugs
Ms. Elaine Fujiwara, HDS
Ms. Venus Gabuyo RSN
Ms. Kelly Go, Molokai Drugs
Ms. Susan Goya, HGEA-R
Mr. Terry Harrison, informedRx
Mr. Clifford Hayashi, Times Pharmacy
Ms. Heather Hendman, Hoana
Ms. Vanelle Hirayasu, HMA
Ms. Fran Kagawa, HGEA-R
Ms. Bonny Kahalewai, Standard Insurance
Mr. Jack Katahira, HGEA-R
Ms. Wanda Kimura, B&F
Ms. Alice Kotake, HSTA-R
Ms. Doreen Kuroda, DHRD
Ms. Sharon Lum Ho, Sen. English's Office
Mr. David Mikami, Molokai Drugs, Inc.
Dr. JN Musto, UHPA
Mr. Wade Nakagawa, UPW
Ms. Celeste Nip, HFFA
Ms. Gertrude Nitta, HGEA-R
Mr. Jerry Shipkin, informedRx
Ms. Kimberly Svetin, Molokai Drugs, Inc.
Ms. Roseanna Sylvester, HGEA, Unit 3
Mr. Rod Tam, HMSA
Ms. Valerie Trechter, Kaiser Permanente
Mr. DeGray Vanderbilt, Molokai Gen Plan Advisory Bd
Mr. John Wadahara, HGEA-R
Ms. Lynn Wall, informedRx
Ms. Michelle Tamaye, ATPA
Ms. Selma Yamamoto, HPhA
Ms. Sue Ann Yasuoka, Times Pharmacy

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:00 a.m. by Trustee George Kahooanohano, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, July 15, 2009.

II. APPROVAL OF MINUTES

There being no objections by the Trustees, the minutes of May 20, 2009 were deferred.

III. INVESTMENT COMMITTEE REPORT

A. Asset Allocation

Chair Boyer reported that the Investment Committee met on July 7, 2009. The committee received a presentation by Mercer Consulting covering the following items: (1) Recap of process and current status; (2) U.S. capital markets and macroeconomic conditions; (3) OPEB and other relevant plan allocations; (4) Efficient frontier modeling; (5) Capital markets simulation; (6) Decision points; and (7) next steps.

After discussion, the Committee agreed to take a moderate approach to asset allocation which would result in a growth target of 7% annually. The committee also agreed that the Board should utilize an incremental approach to entering the markets. In addition, the Committee voiced no objection to the Administrator's proceeding with development of an RFP for custodial services for presentation directly to the Board. [Trustee Laderta arrived at 9:04 a.m.]

The committee voted to recommend that the Board approve asset allocation approach C of the Mercer report and to request that Mercer develop options for a phased implementation.

MOTION WAS made upon the recommendation of the Investment Committee for the Board to approve asset allocation approach C of the Mercer report and to request that Mercer develop options for a phased implementation. The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

B. Implementation of Asset Allocation

This item was covered in motion above.

C. RFP for Custodial Account

This item will be covered in Executive Session.

IV. OTHER REPORTS

A. Administrator

1. July Update (see written report)

a. PeopleSoft Support

Overview by Ms. Shiroma regarding PeopleSoft support (see Administrator's report).

b. Vitech Systems Group, Inc. – V3 Benefits Administration System Implementation

Overview by Ms. Shiroma regarding V3 Benefits Administration System

Implementation (see Administrator's report).

- c. IT Support by Gartner, Inc. –SPO Approved Vendor
Overview by Ms. Shiroma regarding IT support by Gartner, Inc. (see Administrator's report).
- d. RFP for Dependent Eligibility Audit During FY 2009
Mr. Williams reported that the Evaluation Committee met and the recommendation will be addressed in Executive Session.
- e. RFP for Insured Proposals for EUTF Self-Funded Medical Plans
Mr. Williams reported that the Evaluation Committee is scheduled to meet tomorrow. There will be a briefing this morning by Aon in Executive Session and decisions related to that may be made in Executive Session.
- f. RFP to Furnish Prescription Drugs Claim Auditing Services
Mr. Williams reported that the RFP was issued June 30, 2009. Proposal are due on July 30, 2009 [Trustee Shiraki arrived at 9:07 a.m.]
- g. Furloughs of EUTF Employees
Mr. Williams reported regarding furloughs that were already announced and in the media following the Circuit court decision. The word came down from Director and Finance and Department of Human Resources that the furlough plans were put on hold (see Administrator's report).
- h. Extension of Benefit Plans and Special Limited Open Enrollment Period for Active Employees
Overview by Mr. Williams regarding the special limited open enrollment period for active employees (see Administrator's report). [Trustee Ho arrived at 9:09 a.m.]

MOTION was made for the Board to commend the customer service staff for their outstanding work in managing the increased May, June and July call volume and especially deserves the Board's kokua for keeping abandoned calls to a minimum. (Daeufer/Ho) The motion passed unanimously (Employer Trustees-5/Employee-Beneficiary Trustees-4)

- i. FY09 Financial Audit
Overview by Ms. Tonaki regarding the FY09 financial audit (see Administrator's report).
- j. Accounting Issues
Overview by Ms. Tonaki regarding the accounting issues (see Administrator's report).

- k. OPEB/GASB Funding
Ms. Tonaki reported the amount of checks and amounts received by the counties for OPEB (see Administrator's report).
- l. Investment Program Development
Overview by Ms. Tonaki regarding the investment program development (see Administrator's report). The Custodian Account RFP will be addressed in Executive Session.
- m. Proposed Rule Change
Update by Mr. Williams regarding the proposed rule change (see Administrator's report).
- n. Protests Regarding Board's Decision to Implement Mandatory Mail Order for Maintenance Medications in the Prescription Drug Program
Overview by Mr. Williams regarding form letters received from EUTF participants regarding the Board's decision to implement mandatory mail order for maintenance medications in the prescription drug program. Also, a request by Molokai Drugs for the Board to consider an exception to the mandatory mail order for maintenance drugs policy for its service area. This item will be addressed under New Business but there may be comments from the public at this time.

Dr. JN Musto, Executive Director of UHPA, commented that participants are objecting to the requirement of the list of maintenance drugs. It is not an objection to having mail order or participation with this particular company versus some other. It is objection to the creation of a new list of drugs that will only be offered through a 90-day day mail order option because they are determined to be maintenance. There is no longer an option for 30-day supply even at a higher rate. The Board should re-consider their decision. Sometimes decisions are not just made based on saving money. There are broader public policy considerations, broader implications and consequences. Again, on behalf of employees that he represents and his colleague Randy Perreira, who have shared similar views from comments received from HGEA members that the Board strongly reconsider their decision. Ms. Roseanna Sylvester of Unit 3 stated that she agrees with Dr. Musto. Also, it would be a hardship to pay up front and asked that the Board re-consider what they are doing to members. Ms. Selma Yamamoto submitted a testimony on behalf of the Hawaii Pharmacist Association (see testimony). Trustee Radcliffe stated his understanding is that this will save the EUTF, employees and employers just under \$11 million annually and asked Dr. Musto if his position is even if that is true he does not care. Dr. Musto stated even if that is true they think it offsets against greater public interest and policy. He would actually like to

spend some time reviewing the numbers and the choice the EUTF is using for the mail order. He believes mail order utilization can be encouraged through incentives instead of saying this is the only way you can do it if you have a maintenance drug and also having a list of items that are always going to be maintenance drugs with no other choice. Especially for retirees, the connection with the local pharmacies provides the service beyond just giving the drugs. Those are some of the issues people have brought up. Dr. Musto stated there is huge confusion, which the Board is probably aware. What happens if someone has a chronic condition that emerges if an antibiotic or pain medication that is tied to an actual long term problem but would otherwise be a medication that would probably be disease? If I have to take this pain medication long term it will become a maintenance drug and so on down the line. One final comment, 80% of UH faculty is on 9 month appointments. During this time in July when the EUTF is holding meetings to discuss or describe the new prescription drugs, the faculty is off-duty and is not convenient or conducive for them. Trustee Radcliffe asked if Dr. Musto actually has a science background or just saying stuff from other people. Trustee Radcliffe asked if the EUTF had these meetings during the regular year would the University professors attend. Dr. Musto stated they would flock to the meetings because they have flocked to his e-mail. Mr. Williams stated he wants to clarify because the elderly were mentioned earlier and that the changes that we are discussing do not apply to the Medicare drug program which essentially means anyone over age 65.

o. Department of Health Initiative on Worksite Wellness

Mr. Williams reported that he will continue to report on the Department of Health initiative on worksite wellness. A task force meeting is scheduled for July 23, 2009 (see Administrator's report). Mr. Williams stated related to this there is an RFP for the wellness program on the horizon. Part of the motion that the Board approved was to seek some input from stakeholders. The EUTF is considering working with the task force to obtain that input.

p. Recruitment for Vacant Positions

Update by Mr. Williams regarding the recruitment for vacant positions. There is an additional vacant position for the Office Assistant IV position due to a July retirement. A request to fill the position will be submitted to B&F (see Administrator's report).

B. Dispute Resolution – Mediation Update

Chair Kahoochanohano reported that there is nothing more to report at this time.

C. Deputy Attorney General

Mr. Suzuki stated that he has nothing to report.

D. Benefits Consultant

1. July Report

a. Hoana Lifebed

Mr. Fukuhara reported that the Board approved an extension until July 31, 2009 pending a report from Hoana Lifebed (see Consultant's report). The report was distributed to the Trustees for review and summarized by Mr. Fukuhara. Discussion held by Trustees regarding that the savings of 29.7% is lower than anticipated but it is still worth it. Trustee Ho asked if any representative from Hoana was present. No representative from Hoana was present at this time. Discussion held by Trustees that other vendors are present at meetings and concerns expressed that there are no representatives from Hoana and a message should be conveyed to Hoana Lifebed. Chair Kahooahanohano stated that he will discuss that concern with the administrator. Discussion held by Trustees and benefits consultant if the benefits consultant reviewed this analysis and agrees with what Hoana is saying. Mr. Fukuhara stated no, he just read the report and did not review their data. Hoana used results from prior studies and references were not looked up. The period of time for the savings analysis is short, from July 1, 2008 through May 31, 2009, therefore, next year it would be helpful to include more data and provide the report to the Board earlier.

MOTION was made for the Board to approve continuing the reimbursement for patient monitoring devices such as the Hoana Lifebed through June 30, 2010 and to request that Hoana provide an analysis for the benefits consultant to review before approving another extension. (Radcliffe/Ching) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

b. informedRx (NMHC)

(1) Contract Negotiations

Mr. Fukuhara stated that Aon will provide an update on negotiations with informed Rx regarding contract changes to provide cost savings in Executive Session (see Consultant's report).

(2) Implementation of Various Clinical Changes Effective July 1, 2009

Mr. Fukuhara reported that with Aon's report is a status report from informedRx. Overview by Ms. Nicolle Bassett from informedRx regarding the status report. Mr. Williams stated he wants to clarify that informedRx administers the prescription drug plan on behalf of the EUTF. When the Board made these decisions regarding the program, Ms. Bassett asked Mr. Williams if it was okay to do these outreach sessions and he replied yes, it would have to be through the employers. informedRx prepared an invitation which the EUTF sent to the employers and employee organizations. Along the way, these meetings were viewed

as some kind of entitlement that the EUTF was doing and that informedRx should do more and in a different way. The EUTF understands because there is a lot of interest but we need everyone's help to clarify that this really is an extra opportunity. It is a voluntary effort by our service provider to go the extra mile to be available to provide information to people. The specific scheduling is really through employers. In some cases, open sessions were held at the State Capitol but much is through employers. If employers reserved the room for 30 and more wanted to attend and could not, it was not because of the EUTF or informedRx.

(3) Specialty Drugs

Overview by Mr. Fukuhara regarding the movement of specialty drugs from the medical plan to the informedRx prescription drug plan, the annual out-of-pocket maximum and fourth tier of co-payments and form for participants to use to request an explanation of benefits (EOB) [see Consultant's report] if they feel they have already met the specialty drug \$2,000 annual out-of-pocket maximum. Mr. Fukuhara stated the EOB cannot go directly from the medical PPO carriers to the PBM due to HIPAA privacy restrictions

(4) Mandatory Mail Order - Issues by Pharmacies

Mr. Fukuhara reported that there were some meetings involving representatives of pharmacies and documentation on seven issues was shared with Trustee Radcliff, EUTF and Aon. A copy of the document is with Aon's report. informedRx provided a response to those seven issues which was distributed to the Trustees. Trustee Radcliffe stated he met with Senator Josh Green and the letter was given to him. Since he was not able to answer all the questions, Trustee Radcliffe transmitted the document to the EUTF and Aon staff.

Mr. Jerry Shipkin from informedRx presented his responses to the seven issues by the pharmacies. Under issue two, Trustee Radcliffe asked if the statement "Generic drug utilization under the NMHC plan is not only 6% below the state wide average at this pharmacy, but also 5% below HMSA as a comparison. NMHC also demonstrates 6% higher brand utilization than the average." is correct or not correct. Mr. Shipkin stated he cannot respond to where these numbers came from. The general dispensing rate through July 1st for the EUTF was 63.5% based on the analysis informedRx did in the beginning of July. informedRx expects with the programs that the Board has approved that over the next 6 to 9 months that will go up approximately 4% to 5% and come out about 69% to 70%. That is informedRx forecast. Under issue one, Trustee Laderta asked when and how informedRx is going to coordinate these benefits.

Mr. Shipkin stated informedRx is working with other vendors to provide on-line information so it can be coordinated. Mr. Shipkin does not have the exact timing yet because it is an on-going effort but will get that information back to the Board as soon as possible. Discussion held by Trustees and staff regarding under issue one, how the amount of \$6,000 given for impact per patient can be correct. Mr. Williams stated that he always does a reality check when it comes to numbers. When the person is primarily with the EUTF all they would pay is the co-payment of \$10.00. Even though it is not done electronically they would go to the other carrier to ask for reimbursement of \$10.00. How you would get \$6,000 that you would have to advance is pretty hard for Mr. Williams to understand. People can put things in a letter but that does not make it accurate. The EUTF program does not work in any way, shape or form that you would have to advance the full cost of the drug and then get reimbursed. Kelly Go (public) commented regarding the amount of \$6,000 can be true and gave an example of a family of 4. She also added it would be difficult to pay high out of pocket amounts due to a fixed income. The capability to handle on-line coordination of benefits is important. Mr. Shipkin stated that issue three is completely not true. After Mr. Shipkin's response to issue six, Trustee Radcliffe asked Mr. Shipkin to confirm that the statement "Studies have clearly demonstrated that PBM plans that encourage or require patients to purchase their medications in bulk create 3.3 more times waste than plans without a mail order bulk purchase component." is flat out not true. Mr. Shipkin stated to the best of his knowledge and everything that informedRx has reviewed, that Trustee Radcliffe is correct.

- c. Insured Medical Plan RFP
This item will be addressed in Executive Session.
- d. Timeline for Fiscal Year 2010
Overview by Mr. Fukuhara regarding the timeline for fiscal year 2010. Discussion held by Trustees, staff and benefits consultant regarding HSTA transferring back to the EUTF, HSTA's medical plans and an article regarding HSTA in Pacific Business News. Mr. Williams will e-mail a copy of the article to the Trustees.
- e. Self-Funded Plans IBNR
Overview by Mr. Fukuhara regarding the updated self-funded plans' IBNR. Discussion held by Trustees and benefits consultant regarding what the effect would be. Mr. Fukuhara stated it will affect the financials because the IBNR is a liability. Discussion held by trustees and benefits consultant regarding what would happen if not approved. Mr. Fukuhara stated if the Board does not approve the updated IBNR, it would remain \$43,577,000. The

unrestricted reserves are approximately \$10 million. If the Board approves the IBNR, then the \$43,577,000 would go down and that difference would move over to the unrestricted line item.

MOTION was made for the Board to approve the IBNR in the amount of \$41,096,000 as presented by the consultant including a 5% margin as of April 30, 2009. (Radcliffe/Laderta) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

E. Financial Report as of May 31, 2009

Overview by Ms. Tonaki regarding the financial report as of May 31, 2009 (see financial reports). Ms. Tonaki stated based upon the Board's approval of the adjusted IBNR, there will be an increase of \$2.4 million. The unrestricted amount of \$9.9 million will go up. Under the line item "IBNR Liability for Self-Funded plan", that will go down from \$43 million to \$41 million. Ms. Tonaki stated she wants to alert the Board that the unrestricted funds for April 2009, did decrease by approximately \$14 million from the previous month. Last month the unrestricted funds were approximately \$23 million. That decrease was attributed to the increase of the IBNR of \$4 million the Board approved and also a \$10 million deficit for the self-funded plans that occurred during the month of May. The unrestricted amount is down to \$9.9 million as of the end of May. Mr. Williams stated as of June 30, 2008 it was over \$72 million. When we talk about claims fluctuation reserves, this comes out of this unrestricted fund. Discussion held by Trustees and staff regarding what would happen if it goes down to zero. Mr. Williams stated you would have to either increase premiums or reduce benefits because the EUTF cannot operate on a deficit. In the short term, the EUTF could borrow from the IBNR but you would have to remember that the IBNR is not hypothetical that is a real obligation. On a cash basis, the EUTF would still have the cash. Mr. Williams stated a rate increase will be effective July 1. If the rates are appropriate as projected, the EUTF should break even. Trustee Radcliffe wants to clarify that the EUTF had over \$72 million a year ago but because of recurring expenses we are using reserves at an increasing rate to a point now the EUTF is down to approximately \$9.9 million in reserves instead of \$72 million in reserves and by the end of next month the EUTF will be at zero. All things being equal if the EUTF was not to increase rates, which the EUTF did, the EUTF would have to increase rates anyway. Since the EUTF did increase rates, next month the EUTF ought to end up with approximately \$9 million in reserves as opposed to zero. Mr. Williams stated what we ought to end up with is Aon's territory. Trustee Laderta stated this is a very important question that needs an answer. Mr. Fukuhara stated he just spoke to Mr. Nimmer and they are concerned about the rate figures because for one month the loss was \$10 million and will ask carriers and Ms. Tonaki to submit more information. Aon reported previously that you would see a spike in utilization and assume it is because of people's jobs, potentially being laid off and furloughs. Aon will try to figure out why it is up to \$10 million. Trustee Laderta

stated she knows that Aon is exploring the reason for this but would like to know what Aon's recommendation is or the options. Mr. Fukuhara stated that Aon will submit a report in August because they would know the results of June as well as indications for July. Starting in July there should be an additional \$6 million in premiums. Discussion held by Trustees, staff and benefits consultant regarding when estimates were done in premium increases and looking at the reserves, the EUTF was losing on average \$4.5 million a month, spiked at \$5 million and now at \$10 million. If the claims experience were off mark from the time the Board did their estimates, is the EUTF on mark? Further discussion by the Trustees, staff and benefits consultant regarding how it would impact the retirees. Mr. Williams stated it does not impact the retirees. Trustee Laderta stated that the reserve number is a combination of the retirees and actives and fail to see how it does not affect the retirees. Mr. Williams stated as far as he knows the premiums are actually sufficient for the retiree plans and that is why he said it does not impact the retirees. There are still decisions for the Trustees to make for retirees rates and benefits. Trustee Annis expressed her concern that it is difficult to establish a plan when the Trustees are unsure of what the claims experience will be like in the future. Trustee Radcliffe stated all the Trustees can go on is what total information regarding the claims. The increase is in the claims and all the Trustees can do is apply your own experiences, logic and common sense. There is no doubt in Trustee Radcliffe's mind having been involved in union and public employment business for years that when times are tough like this, people get upset and use their benefits as much as they can. If there is a spike it is because of all the talk in the community about losing benefits, furloughs, lay-offs, and because of this people gets sick. Discussion held by Trustees, staff and deputy attorney general regarding forming a sub-committee or an investigative sub-committee under the offices of mediation. Mr. Suzuki explained that it is a sunshine law issue if the sub-committee has members that would have to deliberate and decide matters. That is why the administrator suggested that meetings under the auspices of mediation would free the EUTF. There are three options for the Board to consider. Trustee Shiraki asked what the benefit of each option is. Mr. Suzuki stated that the mediation would be the more consistent way. No agenda and not open to the public. A mediator will be provided. Discussion held by Trustees regarding how it would be different than what is already being done now and how having less on this committee may make it easier. Mr. Suzuki stated that the difference would be instead of having the whole Board participating, you would have more flexibility because of less people with more chances of meeting. Mr. Williams stated the results would have to come back to the Board at a regular or special meeting for a vote. Discussion held by Trustees and staff regarding no down side to this motion. Mr. Williams stated on the staff's perspective, he would like to see some mechanism different from what has been used before and recommends that the Board try.

MOTION was made for the Board to approve to form a sub-committee to participate in mediation. Two employer and two employee-beneficiary trustees will be on the sub-committee. Recommendation of the sub-committee will be presented to the

Board for consideration. (Laderta/Ching) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

Mr. Nimmer joined the meeting by conference call to address concerns: (1) what happens if all the reserves are used; and (2) although the revised premiums are in place July 1st, the concern is whether that increase would be adequate to cover the costs in July.

Mr. Nimmer stated the first question is actually a double question. In regards to the IBNR, Aon received the financial report a couple of days ago. Aon's first inclination is that there is something else besides pure utilization that is driving these numbers. Aon needs a little time to review these numbers and Aon is not sure if there were additional claims payments because of the billing/payment cycle or other charges built in within. Mr. Nimmer is hesitant to provide any recommendation or guidance to the Board without the opportunity to review the claims to fully understand them. If the unrestricted reserves fall below zero, we would dip into the IBNR but as soon as the first July statement comes through there should be ample excess because of the Board approved margins to rebuild the reserves. The first payment comes in July 15th or 16th; the EUTF is exposed during that period so should anything happen, the EUTF shuts down between July 1st and the first payment tomorrow, the EUTF would be "solvent". Aon will submit an explanation in writing at the August Board meeting.

Ms. Tonaki continued her overview regarding the financial reports.

F. Carrier's Reports

1. HDS
Written report submitted.
2. HMSA
Written report submitted.
3. HMA
Written report submitted.
4. informedRx (NMHC)
Written report submitted.
5. Kaiser
No written report submitted.
6. Royal State Insurance
No written report submitted.
7. Standard Insurance
Written report submitted.
8. VSP
No written report submitted.

IV. UNFINISHED BUSINESS

- A. Self-Funded Plans Rates and Benefits for 2010 Plan Year
No action taken.
- B. Fully-Insured Plan Rates (Kaiser, Royal State, ChiroPlan, HDS, VSP, Standard) for 2010 Plan Year
This item will be addressed in Executive Session.
- C. Hoana Lifebed Benefit Provision
This item was addressed during the Consultant's report.
- D. Open Enrollment Dates
There being no objections by the Trustees, this item is deferred.

V. NEW BUSINESS

- A. Extension of Benefit Plans and Rates through October 31, 2009
Overview by Mr. Fukuhara regarding extensions of benefit plans and rates.
Mr. Fukuhara stated that previously Kaiser raised concerns regarding extending beyond three months and their concerns are still the same but Kaiser will cooperate if the Board approves extensions. If the Board approves the extensions, Kaiser would like the Board to consider another limited special enrollment. Mr. Fukuhara stated the input from Mr. Nimmer saying that Aon is confident that margin under the current rate is sufficient to begin rebuilding the reserves and would like the Board to consider extending the benefits and rates for the actives and retirees to December 31, 2009. Aon is also recommending an open enrollment for the actives at the same time as the retirees. Discussion held by Trustees, staff and benefits consultant regarding a limited open enrollment and the administrator's recommendation. Mr. Williams stated that the motion is only for the extension through the end of the year. Mr. Williams does have concerns about a limited open enrollment. Mr. Williams stated that it would be helpful to set it up this way knowing that the retirees are taken care of and the actives are on the same timeline. Then if resolution can be reached and that resolution would be effective January 1 through June 30, or the remaining six months. That would set up a timeline that everyone can plan for. Hopefully the board can reach agreement for the rest of the plan year and the regular open enrollment that has been discussed would be held at the same time as the retirees. That would be the ideal situation. At this time Mr. Williams would not like to commit a second special open enrollment although he understands Mr. Fukuhara's rationale. This recommendation just initiates the planning timeline. Discussion held by Trustees regarding concerns about approving the extension through December 31, 2009 because the sub-committee will be meeting. Further discussion held by Trustees and Mr. Moss from Kaiser regarding the impact of benefits and rate extensions on Kaiser.

MOTION was made for the Board to approve extension of the benefit plans and rates previously approved for actives and retirees through December 31, 2009. (Radcliffe/Ho) After discussion by the Trustees, the motion failed. (Employer Trustees-5 NO-Annis, Boyer, Ching, Laderta, Shiraki/Employee-Beneficiary Trustees-4 YES-Daeufer, Ho, Kahoohanohano, Radcliffe)

MOTION was made for the Board to approve extension of the benefit plans and rates previously approved for actives and retirees through October 31, 2009. (Boyer/Shiraki) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

MOTION was made for the Board to approve extension of the benefit plans and rates previously approved for retirees through December 31, 2009. (Radcliffe/Daeufer) After discussion by the Trustees, the motion failed. (Employer Trustees-2 YES-Boyer, Shiraki; 3 NO-Annis, Ching, Laderta/Employee-Beneficiary Trustees-4 YES-Daeufer, Ho, Kahoohanohano, Radcliffe) [Trustee Laderta left at 11:07 a.m.]

B. Exception to Mandatory Mail Order for Molokai and Lanai

Overview by Mr. Williams regarding contents of correspondence from Molokai Drugs requesting an exception to mandatory mail order for Molokai and Lanai. Ms. Kimberly Svetin of Molokai Drugs introduced Kelly Go, Pharmacy Manager, David Mikami, owner and spouse of State retiree, and Wade Nakayama, UPW steward. Presentation by Ms. Svetin and Mr. Mikami regarding Molokai Drugs request for an exception to mandatory mail order for Molokai and Lanai and informedRx's offer. Mr. Nakayama expressed his reasons for supporting Molokai Drugs exception and that he represents people that are concerned about this change. [Trustee Radcliffe left at 11:30 a.m.] Trustee Ho stated that she is disappointed that Ms. Svetin did not mention about informedRx's offer to Molokai Drugs. Overview by Mr. Williams regarding his memorandum to the Board of Trustees dated July 14, 2009. Member of public expressed his concerns about where would he go for his medication and would personally speak to a pharmacist that would be able to come out and provide his medication rather than waiting. Trustee Boyer attended a session by informedRx, it was very informative and his questions were answered. A session will be held on Molokai and Lanai and he is sure that questions that are asked will be answered at the sessions. Ms. Svetin explained her concerns about customer service calls at informedRx and that Molokai Drugs did not receive any documents in writing from informedRx regarding their offer. Mr. DeGray Vanderbilt stated he has served on a lot of boards and commission and understand what the Board must go through. It is hard when information is received last minute and he thinks Molokai Drugs would be more than happy to provide detailed information if they had all the same information to respond to. There may have been things thrown out or said by Molokai Drugs but the Mikami's are an icon, a humble

family, and what they say he believes them and so does everyone else. There is no attempt but to say what is really true here. He hopes this is a non-partisan conclusion, when you talk about saving money, in this one group on the hospital bed study there was some kinds of cost benefit ratio. In all these numbers, Mr. Vanderbilt does not see how much is EUTF's saving on the Molokai members and how does that relate to the potential of higher cost if there is a big spike in non-compliance that he believes would happen. From a cost benefits standpoint, there is no other choice except for Molokai Drugs. The level of service and the relationship in their community is key. Molokai Drugs has done a wonderful job and so much to maintain a high level of compliance to drugs. Trustee Ching asked if the discussion for the offer from informedRx is still on-going. Mr. Shipkin stated yes informedRx is open. Trustees strongly expressed that Molokai Drugs work with informedRx. Member of the public commented about the value of a pharmacist and interaction with the patient to make sure they are on the right medication. Trustee Shiraki stated that he does not speak to his pharmacist because his doctor is there to explain things to him not the pharmacist.

MOTION was made for the Board to approve a request that informedRx send a formal proposal to Molokai Drugs. (Ho/Ching) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4 YES/Employee-Beneficiary Trustees-2 YES- Daeufer, Ho; 1-YES with reservations-Kahoohanohano)

- C. Target Asset Allocation
This item was addressed during the Investment Committee report.
 - D. Method of Implementing Asset Allocation
This item was addressed during the Investment Committee report.
 - E. RFP 09-001 Eligibility Audit – Award of Contract
This item will be addressed in Executive Session.
 - F. RFP 09-004 Proposal to Furnish Custodial Account Services
This item will be addressed in Executive Session.
 - H. Self-Funded Plans IBNR – Revised Amount
This item was addressed during the Consultant's report.
 - I. RFP 09-002 Proposals to Furnish Insured Benefit Plans
This item will be addressed in Executive Session.
- VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES: None
- VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE
- A. August 26, 2009 – Regular Board meeting at 9:00 a.m.

Chair Kahooohanohano stated that this meeting will be recessed and if the Board does meet earlier than the next regular Board meeting, the EUTF will do its best to notify the public.

VIII. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 12:12 p.m. for the reasons stated on the agenda. (Boyer/Ching) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

Executive Session adjourned at 12:50 p.m.

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

1. Approval of March 18, 2009 minutes.
2. Approval of revision to informedRx contract for one year.
3. Approval to cancel RFP 09-002.
4. Approval of contract award for dependent eligibility audit.

IX. SPECIAL ORDER OF BUSINESS: DISPUTE RESOLUTION – MEDIATION
CONDUCTED BY FEDERAL MEDIATOR REGARDING ALL AGENDA ITEMS
None

X. ADJOURNMENT

There being no objections by the Trustees, the meeting recessed.

Respectfully submitted,

/s/

Stanley Shiraki, Secretary-Treasurer

APPROVED on September 30, 2009.

Documents Distributed:

1. Memorandum to BOT from Administrator regarding July Administrator Report dated 7/8/09. (5 pages)
2. Letter to BOT from Aon Consulting regarding July 2009 Benefit Consultant Report dated 7/8/09. (2 pages)
3. EUTF Implementation Status Report from informedRx dated 7/8/09. (3 pages)
4. Response from informedRx regarding Retail Pharmacy Concerns dated 7/8/09. (4 pages)
5. EUTF FY10 Timeline dated 7/8/09. (2 pages)
6. Letter to Administrator from Aon Consulting Regarding EUTF 4/30/09 Reserve Estimates. (3 pages)

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7. Letter to Administrator from Hoana Regarding EUTF Review of the Patient Vigilance System dated 7/13/09. (5 page)
8. EUTF Statement of Net Assets (Unaudited) dated 7/6/09. (1 page)
9. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 11 Months Ended 5/31/09 (Unaudited) dated 7/6/09. (1 page)
10. EUTF Statement of Cash Flows 11 Months Ended 5/31/09 (Unaudited) dated 7/6/09. (1 page)
11. Letter to BOT from Administrator Regarding Molokai Drugs Request for Exception to Mandatory Mail Order Program for Molokai and Lanai dated 7/14/09. (3 pages)
12. Letter from Molokai Drugs to informedRx Regarding Offer dated 7/6/09. (10 pages)
13. Letter from County Council of Maui Regarding Required EUTF Maintenance Mandatory Mail Order Program dated 6/29/09. (2 pages)
14. Letter from Molokai Drugs to Chair Kahoohanohano and Board of Trustees Regarding Molokai Drugs (not dated) Received by EUTF 7/13/09. (26 pages)
15. Letters and Petitions Regarding the Mandatory Mail Order Program.
16. Testimony on Behalf of Hawaii Pharmacist Association Regarding the Mandatory Mail Order Program. (1 page)
17. The High Road Article for June 2009. (2 pages)