

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, July 25, 2007

TRUSTEES PRESENT

Mr. Gerald Machida, Chairperson	Mr. Nelson Befitel
Mr. George Kahooahano, Vice Chairperson	Ms. Elizabeth Ho
Ms. Marie Laderta, Secretary-Treasurer	Mr. Stanley Shiraki

TRUSTEES ABSENT

Mr. John Radcliffe
Mr. Lawrence Reifurth

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator	Mr. Timothy Nimmer, Consultant
Mr. Lawrence Nishihara	Mr. Mark Fukuhara, Consultant
Ms. Maria Quartero	Mr. Justin Kindy, Consultant
Ms. Donna Tonaki	Mr. Bryan Aycock, Consultant
	Ms. Lorraine Nakasone, Consultant

OTHERS PRESENT

Mr. Gary Allen, HBHC	Ms. Wanda Kimura, B&F
Ms. Sandra Benevides, Kaiser Permanente	Ms. Margaret Lawrence, HMAA
Ms. Maren Calvert, Attorney for Everson	Mr. Marty Magill, NMHC
Ms. Monica Engle, VSP	Ms. Mary Mitchell, NMHC
Mr. Elaine Fujiwara, HDS	Mr. Maurice Morita, HSTA
Ms. Venus Gabuyo, RSN	Ms. Gertrude Nitta, HGEA-R
Mr. Terry Harrison, NMHC	Ms. Ruth Oguro, ORTA
Ms. Donna Higashi, HSTA-Retired	Ms. Cora Takato, C&C Honolulu
Ms. Bonnie Kahaewai, Standard Insurance	Mr. Rod Tam, HMSA
Mr. Eleu Kane, Summerlin	Ms. Yvonne Tavares, HSTA-R
Mr. Jack Katahira, HGEA-R	Ms. Sharon Urada, HSTA-MBC
Ms. Ruth Kim, HSRTA	Mr. George Yamamoto, HGEA-Retirees

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:12 a.m. by Trustee Gerald Machida, Chairperson, in EUTF Conference Room 201 Merchant Street, Honolulu, Hawaii, on Wednesday, July 25, 2007.

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for June 28, 2007.

There being no objections by the Trustees, the minutes for June 28, 2007 were approved as circulated.

III. SPECIAL ORDER OF BUSINESS

VII. New Business, Item C. Petition for Declaratory Ruling and Request for Hearing filed by Everson, et al.: (1) Motion to Intervene (State and EUTF Administrator)

Ms. Barbara Acoba, Court Reporter, will be transcribing for the Declaratory Hearing.

Recessed for Chapter 92 meeting at 9:18 a.m. and Reconvened at 10:51 a.m.

IV. COMMITTEE REPORTS

A. Administrative Committee

Chair Laderta announced that the Administrative Committee re-elected her as chairperson.

The Administrative Committee has recommended that the Board increase the number of committee members from 2 to 3 each for both Employer Trustees and Employee Trustees.

B. Benefits Committee

Chair Ho announced that the Administrative Committee re-elected her as chairperson.

The Benefits Committee has recommended that the Board increase the number of committee members from 2 to 3 each for both Employer Trustees and Employee Trustees.

There being no objections by the Trustees, the appointment of additional members of the Committees is deferred.

There being no objections by the Trustees, item V. D. Financial Report as of May 30, 2007 was taken out of order.

D. Financial Report as of May 30, 2007

Overview by Ms. Tonaki regarding the financial report as of May 30, 2007. (see financial reports).

V. OTHER REPORTS

A. Administrator

1. July Update (see written report)

a. PeopleSoft Support

Overview by Mr. Nishihara regarding PeopleSoft support (see Administrator's report).

b. Oracle/PeopleSoft License and Service Agreement

Overview by Mr. Williams regarding the Oracle/PeopleSoft license and

service agreement (see Administrator's report). Oracle is not changing their position and a conference call is scheduled for tomorrow, July 26, 2007.

- c. IT Support by Gartner, Inc.
Overview by Mr. Williams regarding the RFP for the new benefits administration system. The Administrator is recommending that the Board schedule a special Board meeting in late August 2007 (suggested date of August 29, 2007). A proposed revised schedule was distributed to the Board.

MOTION was made for the Board to authorize scheduling of a special Board meeting between August 20 and 31, 2007 to consider approval of the RFP for the new benefits administration system. (Kahooohanohano/Ho) The motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-3)

- d. EUTF Facilities - Renovation
Update by Mr. Nishihara regarding the renovation. (see Administrator's report).
- e. Staffing
Mr. Nishihara reported that the EUTF recently hired three customer services representatives that started in June and July 2007. Two applicants declined the offer for the accounting clerk position. Mr. Williams stated that we are unable to provide complete training for new staff at this time (see Administrator's report). Discussion held by Trustees and staff regarding 89 day hires.
- f. Implementation of FY 08 Benefit Plans
Overview by Mr. Nishihara regarding the implementation of FY 08 benefit plans and issues with NMHC (see Administrator's report). Discussion held by Trustees, staff, and public regarding the NMHC prescription drug plan cards.

Mr. Aycock summarized Aon's supplemental report dated July 24, 2007 regarding prescription drug issues affecting participants as of the transition from HMSA to NMHC. Mr. Williams stated, in terms of relating this to the customer service issue, the perception for these areas relates to how it has been processed by HMSA or in this case what happened with Longs. Beneficiaries were told throughout open enrollment that there would be no changes in their benefits, although NMHC and EUTF did not make the error it is perceived by those affected that we changed their benefits. That is why the EUTF had a high volume of calls complaining about changing drug plans and feeling like they lost something. Mr. Aycock stated that letters will be sent specifically to those affected only. Discussion held by Trustees, consultant, and staff regarding the coordination of benefits issue, who made the rule about secondary coverage, and the procedure to file claims. Mr. Williams explained

the procedure to process claims if you are a retiree with secondary coverage. Mr. Williams stated that the NAIC guideline is the model used all over the country. The EUTF will follow-up regarding the coordination of benefits for supplemental plans. Further discussion by Trustees, consultant, and staff regarding the processing of claims and the proposed revision to the Guide to Benefits.

MOTION was made for the Board to approve Aon's recommendations: (1) that the EUTF's Guide to Benefits for the self-insured drug plan with NMHC and the fully-insured HMSA drug plan be revised to reflect that DAW prescriptions will be assessed the applicable brand name co-pay and will not be assessed the difference in cost between the brand name drug and its generic equivalent, retroactive to July 1, 2007, and (2) that NMHC be directed to make refunds to any participant who paid the difference in cost between the generic equivalent and the brand name drug. The Guide to Benefits will be revised to delete the following words from the first sentence of the proposed revision: "including when a physician directs that substitution is not permissible". (Kahooohanohano/Befitel) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-3)

Mr. Williams clarified that EUTF will work with HMSA to send out the appropriate communication to people affected by their action. In some cases, NMHC and/or EUTF will send letters to individuals that were affected. EUTF and Aon will work with pharmacies regarding the coordination of benefits.

g. GASB 43/45

Mr. Williams reported that the Board deferred any action regarding setting the contractually required contributions (CRC) upon the request of the Director of Finance to further review. Mr. Williams stated that the EUTF is working with Aon Consulting that has the contract with DAGS and Brad Au will be sending a letter addressing the CRC as percentage of payroll. Mr. Aburano will report later in the meeting summarizing the AG's opinion (see Administrator's report).

h. Imputed Income for Employees with Domestic Partners

Mr. Williams reported that a draft memorandum proposing an alternative to the method suggested by Mr. Schembari was sent to DHRD, DAGS, and TAX for their direction. For now, the imputed income will be processed the same as in the past.

i. Special Open Enrollment BU07 (UHPA)

Mr. Williams reported that letters were sent to beneficiaries that were enrolled

in Kaiser in the past. UHPA has notified all of their members. To date, the EUTF has not received any applications for change from the PPO plan to the Kaiser plan (see Administrator's report).

- j. Diabetes Pilot Program - DCCA
Overview by Mr. Allen regarding the diabetes pilot program. Mr. Williams recommends that the Board approve to extend the diabetes pilot program with DCCA for an additional year. Expansion will be addressed at a later date.

MOTION was made for the Board to approve an extension of the pilot Diabetes Program for DCCA employees through June 30, 2008. (Shiraki/Ho)
The motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-3)

Mr. Williams thanked Mr. Lawrence Nishihara for going beyond the call of duty for many beneficiaries early in the day and staying late. Trustees Laderta and Ho also expressed their gratitude to Mr. Lawrence Nishihara for personally handling phones calls and going out of his way to follow-up on the problems for employee-beneficiaries.

B. DEPUTY ATTORNEY GENERAL

1. Awakuni Lawsuit

Mr. Aburano reported that oral argument on the appeal was heard at the Hawaii Supreme Court on July 11, 2007 and is under advisement with the court.

2. Status of Contracts for FY 08 Benefit Plans

Mr. Aburano reported that all contracts for the FY 08 benefit plans are signed. However, some details remain to be completed regarding getting contractor certificates in order.

3. Opinion Letter – Re: GASB 43/45

Mr. Aburano summarized the Attorney General's opinion letter responding to questions raised regarding the CRC, dated July 18, 2007. Mr. Aburano stated that the Legislature should clarify whether or not HRS Chapter 87A permits the public employers to voluntarily pre-fund retiree health benefits. Mr. Aburano noted that the State Legislature might be able to do this simply by appropriating money to pre-fund retiree health benefits. Mr. Williams stated that the AG's opinion will be sent to Grant Thornton so that they can make an assessment of whether the EUTF would be classified as a cost sharing plan or as an agent employer plan. If the EUTF is an agent employer plan, then the EUTF Board will not have to set a CRC. As mentioned earlier, there are other influences that may also determine that but this is one piece of the puzzle.

4. Emergency Appeals

Overview by Mr. Aburano regarding the proposed emergency appeals process for self-funded plans that was distributed and approved on an interim basis at the June Board meeting. Mr. Aburano explained the EUTF procedure for rules consultation and adoption.

MOTION was made for the Board to approve Rule 2.05 entitled "Emergency Appeals" as presented to the Board for the purpose of consultation with the public employers and affected employee organizations pursuant to Rule 2.01 of the EUTF Administrative Rules and for possible adoption as a rule of the EUTF at a public meeting of the Board following such consultation. (Ho/Kahoonohano) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-3)

C. BENEFITS CONSULTANT

July Report

1. GASB 43/45

For Trustees information only, update by Mr. Nimmer regarding updated percentages dependent on pending salary data prepared by Brad Au of Aon. The GASB 43/45 contract is with DAGS.

Recessed at 12:08 a.m. and Reconvened at 12:16 p.m.

2. Preparation for Financial Solvency Analysis

Presentation by Mr. Nimmer regarding the methodology to determine the solvency status of the EUTF plan (see Consultant's report). Mr. Nimmer is available to answer any questions from the Trustees by e-mail or a telephone call.

3. Imputed Income for Domestic Partners

Mr. Nimmer reported that Aon reviewed Mr. Schembari's draft memorandum dated May 4, 2007 and agrees with the methodology of the report. Aon also has provided additional methodologies (see Consultant's report and attachment).

4. Aon Bulletins and Publications

Mr. Aycock's stated that the Trustees and EUTF staff have access to Aon's bulletins and publications. The bulletins and publications can be received in two ways: (1) all bulletins/publications are stored on a data base which can be accessed via general by user name and password or (2) you may sign-up to receive by e-mail monthly. A sign-up sheet will be circulated to Trustees. Aon's publications Alert and Forum were distributed to the Trustees (see Consultant's report).

5. Aetna Life Insurance Final Accounting

Overview by Mr. Nimmer regarding Aetna's preliminary and final accounting (see

Consultant's report).

6. Newsletters and Websites
Overview by Mr. Aycock regarding newsletters to participants and the EUTF website (see Consultant's report).
 7. Carrier/Board Member Meetings
Overview by Mr. Aycock regarding carrier and board member meetings (see Consultant's report). Discussion held by Trustees and consultant regarding Aon's presentation about a possibility of having two separate open enrollments for active and retirees. Mr. Aycock stated that Aon will work with the Board and EUTF staff regarding separate open enrollments for active and retirees to start in 2009.
 8. Supplemental Report on Prescription Drug Processing
This item was addressed during the Administrator's report.
- D. Financial Report as of May 30, 2007
This item was addressed earlier on the agenda.
- E. Carrier's Reports
1. HDS
Written report submitted.
 2. HMA
Written report submitted. Mr. Jao corrected HMA's report to recognize that Trustee Machida is the Board chairperson
 3. HMSA
Written report submitted. Mr. Tam reported that Michael Moss is no longer with HMSA. The account team consist of himself and Tony Saguibo.
 4. Kaiser Permanente
No report submitted. Kaiser's Annual Report and For Immediate Release was distributed to the Board.
 5. NMHC
Written report submitted. Ms. Mitchell introduced Mr. Terry Harrison who will be attending future Board meetings. Ms. Mitchell thanked Mr. Lawrence Nishihara for putting in lot of work during the implementation period. Mr. Williams noted that NMHC provided numbers that are informative and helpful in their written report.
 6. Royal State Insurance
No report submitted.
 7. Standard Insurance
Written report submitted. Ms. Kahelewai reported that she is the Administrator overseeing the EUTF account.

8. VSP
No report submitted.

VI. UNFINISHED BUSINESS

- A. Benefits Administrative System RFP
This item was addressed during the Administrator's report and will be deferred.

VII. NEW BUSINESS

- A. Renewal of Diabetes Pilot Program - DCCA
This item was addressed during the Administrator's report.
- B. Emergency Appeals Process
This item was addressed during the Deputy Attorney General's report.
- C. Petition for Declaratory Ruling and Request for Hearing filed by Everson, et al.
This item was addressed during the Special Order of Business
- D. Prescription Drug Plan Benefits Payment Exception
This item was addressed during the Consultant's report.
- E. IFEBP 53rd Annual Employee Benefits Conference

MOTION was made for the Board to approve participation in the IFEBP 53rd Annual Employee Benefits Conference by all Trustees (including those who may be appointed at a later date) and up to three staff members, including the Administrator and Deputy Attorney General. (Laderta/Ho) The motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-3)

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

IX. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Board meeting is scheduled for Wednesday, September 26, 2007, 9:00 a.m., EUTF conference room, 15th floor.

A special Board meeting has been authorized between August 20 – 30, 2007.

X. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 12:40 p.m. for the reasons stated on the agenda. (Kahoohanohano/Laderta) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

MOTION was made to move out of Executive Session at 12:49 a.m.
(Kahooohanohano/Befitel) The motion passed unanimously. (Employer Trustees-
3/Employee-Beneficiary Trustees-3)

The Chair reported that the Board has taken the following actions in Executive Session:
1. Approval of June 28, 2007 Executive Session minutes.

XI. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 12:49 p.m.

Respectfully submitted,

/s/

Marie Laderta, Secretary-Treasurer

APPROVED on September 26, 2007.

Documents Distributed:

1. Draft Minutes for June 28, 2007. (14 pages)
2. Memorandum to BOT from Administrator regarding July Administrator Report dated 7/17/07. (5 pages)
3. Hawaii Business Health Council Update on Diabetes Pilot Program by Gary W. Allen date stamped 7/18/07. (1 pages)
4. Letter to BOT from Aon Consulting regarding July 2007 Benefit Consultant Report dated 7/13/07. (5 pages)
5. Letter to BOT from Aon Consulting regarding July 2007 Supplemental Benefit Consultant Report dated 7/24/07. (4 pages)
6. Aon Alert Newsletter dated 12/15/06. (2 pages)
7. Aon Forum Publication dated December 2006/January 2007. (3 pages)
8. EUTF Statement of Net Assets (Unaudited) dated 7/12/07. (1 page)
9. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 11 Months Ended 5/31/07 (Unaudited) dated 7/11/07. (1 page)
10. EUTF Statement of Cash Flows 11 Months Ended 5/31/07 (Unaudited) dated 7/2/07. (1 page)
11. IFEBP 53rd Annual Conference Brochure. (7 pages)
12. Approved Minutes for May 17, 2007. (11 pages)