

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
Minutes of the Board of Trustees  
Tuesday, August 9, 2011

TRUSTEES PRESENT

Mr. George Kahooahano, Chairperson	Mr. Everett Kaneshige
Mr. Derek Mizuno, Vice-Chairperson	Ms. Karolyn Mossman
Mr. Dean Hirata, Secretary-Treasurer	Ms. Celeste Nip
Ms. Loretta Fuddy (arrived 9:10 am)	Ms. Sunshine Topping
Ms. Audrey Hidano	

TRUSTEES ABSENT

Mr. Clifford Uwaine

ATTORNEY

Ms. Sarah Hirakami, 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	Mr. Johnny Wu, Consultant
Ms. Kathleen Shiroma	Ms. Nicole Wong
Ms. Donna Tonaki	

OTHERS PRESENT

Ms. Cassandra Adachi, DHRD	Ms. Nandan Kaupahana, House Finance
Ms. Lynette Arakawa, HDS	Ms. Mae Kishimoto, HSTA-R
Ms. Nikki Bassett, informedRx	Ms. Rebecca Kanekoa, HSTA-R
Ms. Sandra Benevides, Kaiser Permanente	Mr. Myles Kiyabu, Royal State
Ms. Monica Engle, VSP	Mr. Blaise Liu, Royal State
Mr. Christian Fern, HMSA	Mr. Tony Malone, HMSA
Mr. Arvin Fujii, State Auditor	Mr. Michael Moss, Kaiser Permanente
Ms. Elaine Fujiwara, HDS	Mr. Larry Nishihara, Akamai Benefits
Ms. Wendy Hamada, HMA	Mr. Puna Ohai, House Finance
Mr. Calvin Hanagi, State Auditor	Ms. Christie Robinson, CVS Caremark
Mr. Cal Hutton, Ceridian	Mr. Phil Takaba, HMSA
Mr. Corey Johnson, Kobayashi, Sugita, Goda	Ms. Vaughn Tokashiki, HSTA-R
Ms. Bonny Kahelewai, Standard Insurance	Ms. Jenny Tobin, C&C Human Resources

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:00 a.m. by Trustee George Kahooahano, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, August 9, 2011.

II. MINUTES

The Board reviewed the draft minutes of July 19, 2011. Discussion held by Trustees regarding the minutes and to amend minutes as follows: (1) page 2, line 21, after the second "session" add "minutes"; (2) page 9, line 19, delete "12:18" and add "2:18".

MOTION was made for the Board to approve the minutes of July 19, 2011 as amended. (Hirata/Kaneshige) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

### III. REPORTS

#### A. Administrator

##### 1. Update on IFEBP Annual Conference, New Orleans, 10/30/11-11/2/11

Ms. Barbara Coriell reported that the money is in the budget and the request for the IFEBP Annual Conference is being prepared and will be submitted to Budget & Finance (B&F) for approval. The EUTF staff attending will be herself and Ms. Nicole Wong. Due to the timing and workload of the EUTF, Ms. Donna Tonaki and Ms. Kathleen Shiroma will not be attending.

##### 2. Update on Contract Awards

Ms. Coriell reported that vendors were reviewing the Procurement files last week, three debriefings were held and the EUTF received a protest from informedRx late yesterday afternoon.

##### 3. Update on Limited Open Enrollment for High Deductible Health Plans (HDHP) and Kaiser Basic Plans

Overview by Ms. Coriell regarding the limited Open Enrollment for the HDHP plan. Ms. Coriell explained that the EUTF cannot require members not be able to disenroll from plans because the EUTF Administrative Rules says a member can cancel plans at any time. [Trustee Fuddy arrived at 9:10 a.m.] Based on additional information, the Administrator recommends that the Board amend their motion that was approved at the July 19, 2011 Board meeting for a limited Open Enrollment to allow an Open Enrollment and to delete "to change to another medical plan only". Discussion held by Trustees, staff and deputy attorney general regarding members being able to cancel plans at any time.

Mr. Lawrence Nishihara, member of the public, expressed his concerns about the Board approving a limited open enrollment for some members only.

AMENDED MOTION was made for the Board to approve to allow an Open Enrollment for HDHP and Kaiser Basic Plans and to delete "to change to another medical plan only". (Topping/Kaneshige) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

MOTION was made for the Board to approve a Limited Open Enrollment for HSTAVB members in the HMSA 80/20 plan. (Mossman/Mizuno)

Discussion held by Trustees and staff that an Open Enrollment should be held for HSTAVB members in the 80/20 plan because it meets the same criteria, of increased rates, as the Kaiser Basic plan and if there are other plans with the same

criteria, some trustees expressed that the approval was not only based on increase rates but other factors such as the total amount of members affected was only approximately 1,500 and if the EUTF had the resources. Further discussion held by Trustees and staff regarding concerns from Trustees that research and all information was not available for Trustees to make a sound decision on the limited open enrollment for the HDHP and Kaiser Basic plans and other plans with the same criteria should also be allowed and if the EUTF has resources to hold an Open Enrollment. Trustees requested to review the contribution rates and the number of HSTAVB members in the HMSA 80/20 plan. Overview by Ms. Coriell regarding contribution rates with percentages of rate increases that were distributed to the Trustees today. The total HSTAVB members in the HMSA 80/20 plan are 4,500.

AMENDED MOTION was made for the Board to approve an Open Enrollment for HSTAVB members in the HMSA 80/20 plan. (Mossman/Mizuno) After discussion by the Trustees, the motion passed. (Employer Trustees-3YES-Fuddy, Kaneshige, Topping; 2 NO-Hidano, Hirata/Employee-Beneficiary Trustees-4 YES-Kahoohanohano, Mizuno, Mossman, Nip)

4. Legislative Proposals for 2012 – Submission Timing

Overview by Ms. Coriell regarding the submission of legislative proposals for 2012. Submission of legislative proposals is due to B&F by September 30, 2011. Trustees may e-mail the administrator if they would like an item to be addressed.

Discussion held by Trustees, staff and benefits consultant regarding the use of video conferencing for Board meetings that has to be noted on the agenda and accessible to the public. The EUTF staff will follow up on this item.

5. Communications: Letters from Members

Overview by Ms. Coriell regarding the three (3) letters from members and commented that the Board should be aware of the impact that the employee contribution level is having on our members. Discussion held by Trustees and staff if responses are sent to members. There being no objections by the Trustees, the administrator will send an appropriate reply to members who submitted letters and c: the Board of Trustees.

B. EUTF Managers' August Operational Reports

1. Member Services

The MSB Operations report was in the Board packet and a copy with the second page was distributed to Trustees today (see MSB Operations report). Discussion held by Trustees and staff regarding the types of inquires received by members. There was a spike in calls when the Governor's press release and newspaper articles regarding the rate increases came out and calls regarding the HDS maximum. Further discussion by Trustees, staff and HDS regarding the HDS

maximum. Chair Kahoohanohano stated that the administrator and HDS work together to resolve the issue regarding the HDS maximum and report back to the Board.

2. IT

The IT Operations report was in the Board packet (see IT Operations report). Discussion held by Trustees, staff and benefits consultant regarding status on the ERRP and if Kaiser submitted any files to Aon. Ms. Sandra Benevides from Kaiser stated that Kaiser is preparing documents and will be submitting files on August 15, 2011 to Aon for claims from 2010 until April 2011. Trustee Hidano requested that the EUTF staff add to the agenda under Old Business "Update on ERRP" at every meeting. The EUTF staff will inform Aon to submit a monthly report with a bar chart to include vendor names, claims that were submitted and for what year and when submitted to Federal government with clear benchmarks of when future eligibility/claims would be submitted to the Federal government.

Recessed at 10:30 a.m. and Reconvened at 10:40 a.m.

3. Accounting

a. FY10 Audit Report – Auditors, Macias Gini & O'Connell

Ms. Donna Tonaki reported that a draft Auditor's report was distributed to the Trustees today and introduced Ms. Linda Hurley from Macias Gini & O'Connell, who is on conference call. The Trustees may e-mail questions to Ms. Donna Tonaki and responses will be e-mailed to all Trustees. Ms. Hurley summarized the Auditor's report. Discussion was held by Trustees and auditor regarding the Auditor's report.

Discussion held by Trustees, staff and Legislative Auditor's Office regarding additional payment for work performed by the prior Auditor, Grant Thornton for the 2009 EUTF Audit. Chair Kahoohanohano stated that the prior Board did not approve the payment because no one was aware of this issue and the Board was not notified about this issue until after the work was performed by the Auditor and he would not support to pay them now. Ms. Hiramami reminded the Board that this is a different issue not related to the current audit and would need to be a future agenda item for discussion. Trustee Hidano requested that this item be on agenda for the next Board meeting for action.

C. Vitech Project Oversight and Risk Management Assessment – Gartner, Rosy Spraker  
Presentation by Ms. Spraker regarding the Vitech Project Oversight and Risk Management Assessment. Discussion held by Trustees, staff and Ms. Spraker to contact the State's Disaster Recovery Program to get an update, and what needs to be done to be out of the red zones noted on Gartner's report.

D. Investment Committee Report

1. Statement of Investment Policy and Guideline – Proposed Changes

Discussion held by Trustees and staff that this item should be deferred to the Investment Committee because the proposed changes need to be discussed in detail. There being no objections by the Trustees, this item is deferred to the Investment Committee.

E. Segal Report

1. Final Rates for All Awarded Plans Effective 1/1/2012

Overview by Mr. Tom Morrison regarding the final rates for all awarded plans effective 1/1/2012. Mr. Morrison clarified that the final rates for all awarded fully insured (HMSA, HDS, VSP) plans were approved when the Board approved the award of contracts at the July 19, 2011 Board meeting. Mr. Morrison recommends that the Board approve the 2012 prescription drug monthly rates and to also incorporate a reduction 3.9% from Segal calculated rates due to \$4.6 million buy down from ERRP reimbursements. Discussion held by Trustees and benefits consultant that administrative fees are included in rate sheet. Mr. Morrison will provide a rate sheet with the breakdowns and change titles with “HSTA”.

MOTION was made for the Board to approve the 2012 prescription drug monthly rates to also incorporate the reduced 3.9% from Segal calculated rates due to \$4.6 million buy down from ERRP reimbursements as presented and recommended by the benefits consultant. (Topping/Mizuno) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

Mr. Vaughn Tokashiki commented that he has been receiving several phone calls from retirees and some active employees on several issues and how the EUTF is communicating information to members. The EUTF staff is working on improving communications. Currently, e-mails are sent to employers and union representatives to assist in notifying employees or members, recently the EUTF worked with ERS to include in their newsletter the notification regarding ERRP, and that open enrollment sessions are going to be held.

IV. NEW BUSINESS

A. Bundle Rx with Medical for Enrollment Purposes

Ms. Coriell retracted this item.

B. Vitech Supplemental Contract

Overview by Ms. Coriell regarding the request to amend the Vitech contract and referred questions to Ms. Kathleen Shiroma. Discussion held by Trustees and staff that the COBRA subsidy requirement is under the ARRA and that the EUTF did create new plan options for HSTA VEBA members and transition from EUTF plan options into new plan options to comply with the Judge’s oral ruling.

MOTION was made for the Board to approve Vitech's Supplemental Contract No. 3 for an amount not to exceed \$589,500.00. (Mossman/Nip) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

C. Preparation of 2010 Minutes

Discussion held by Trustees and staff regarding the hiring of a Court Reporter to complete the 2010 Board minutes, why it would not be feasible to use a court reporter and other suggestions such as overtime or compensation time. The administrator will prepare a plan for the EUTF staff to complete the 2010 Board minutes.

V. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

A. September 13, 2011, 9:00 a.m. – Regular Board Meeting.

Agenda items: (1) Status on ERRP; (2) FY09 Additional Auditor's Fees.

Discussion held by Trustees and staff regarding Medicare Part B projects: (1) current retirees not enrolled in Medicare Part B; and (2) collection of reimbursement overpayments relative to deceased retirees or spouses. The EUTF staff is in the process of setting up procedures. Further discussion by Trustees and staff on how to make Board meetings more effective and efficient.

VI. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 12:52 p.m. for the reasons stated on the agenda. (Fuddy/Topping) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

Executive Session adjourned at 1:50 p.m.

The Board has taken the following actions in Executive Session:

1. Approval of Executive Session minutes for July 19, 2011.
2. Approval of award of contract for RFP No. 11-01 Medical Benefits, closed panel HMO plan to Kaiser, subject to submittal of all clearances and Certificate of Insurance.

VII. ADJOURNMENT

There being no objections, the meeting adjourned at 1:52 p.m.

Respectfully submitted,

/s/

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Dean Hirata, Secretary-Treasurer

APPROVED on October 18, 2011 as amended.

Documents Distributed:

1. Draft Board Minutes for July 19, 2011. (10 pages)
2. Memorandum to BOT from MSB Manager Regarding MSB Operations Report dated 8/4/11. (1 page)
3. Memorandum to BOT from IS Analyst Regarding August IT Operations Report dated 7/29/11. (2 pages)
4. Memorandum to BOT from Financial Management Officer Regarding Accounting Operations Report- July 2011 dated 7/29/11. (2 pages)
5. EUTF Benefits Administration System Project Assessment Report 15 for the Period 5/1-6/30/2011 Submitted 8/2/11. (15 pages)
6. Memorandum to BOT from PCA Regarding Preliminary Investment Topic Agenda for 2011 dated 8/1/11. (1 page)
7. Memorandum to BOT from PCA Regarding Investment Policy and Procedures Manual Review dated 8/1/11. (18 pages)
8. Memorandum to BOT from Administrator Regarding Request for Approval to Amend the Contract with Vitech Systems Group, Inc. to Support the Benefits Administration System dated 8/4/11. (7 pages)