

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Minutes of the Board of Trustees

Tuesday, August 20, 2002

TRUSTEES PRESENT

Mr. Sam Callejo, Chairperson

Ms. Audrey Hidano, Vice-Chairperson

Mr. James Williams, Secretary-Treasurer (Left 3:50 p.m.)

Ms. Joan Lewis

Mr. Gerald Machida

Ms. Kathryn Matayoshi

Mr. Neal Miyahira (Arrived 1:47 p.m.)

Mr. Willard Miyake

Mr. Clifford T. Uwaine (Arrived 2:13 p.m.)

TRUSTEE ABSENT

Mr. Davis Yogi

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

HEUHBTF STAFF

Mr. H. Mark Fukuhara, Administrator

Mr. Tracy Ban

Ms. Lynette Fukunaga

Ms. Shirley Kawamoto

Mr. John Garner, Consultant

Ms. Gerti Reagan, Consultant

Ms. Karen Tom

OTHERS PRESENT

Ms. Jean Aoki, HSRTA

Ms. Lynette Arakawa, HDS

Mr. George Butterfield, HSTA-Retired

Ms. Nani Crowell, HSTA MBC

Ms. Alana Deppe-Mariota, Kaiser

Ms. Monica Engle, VSP

Ms. Elaine Fujiwara, HDS

Mr. Melvin Higa

Mr. John Jacobs, HMSA

Mr. Charles Khim

Ms. Ruth Kim, Retiree - HSRTA

Mr. Norbert Mendes, HDS

Mr. Maurice Morita, HSTA

Mr. Michael Moss, HMSA

Ms. Kären Muronaka, HSTA-Retired

Ms. Nora Nomura, HGEA

Mr. Rod Tam, HMSA

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 1:38 p.m. by Trustee Sam Callejo, Chairperson, in Conference Room 405, Leiopapa A Kamehameha Building, 235 South Beretania Street, Honolulu, Hawaii, on Tuesday, August 20, 2002.

ANNOUNCEMENTS

The Chair noted that Trustee Yogi has notified staff that he was unable to attend.

II. APPROVAL OF MINUTES

The minutes of July 23, 2002 and August 6, 2002 were not ready for review.

III. COMMITTEE REPORTS

A. ADMINISTRATIVE COMMITTEE

1. Decision making on third party administrator (TPA) vs. in-house administration

a. Request for information (RFI) from potential third party administrators.

Trustee Matayoshi reported that the Committee recommends that no further action be taken on a TPA request for proposal (RFP). The Committee further recommends that the Board revisit this issue in December 2002, after the Benefits RFP has been completed, for a possible TPA implementation in the following fiscal year.

The Committee's recommendation was based on the following reasons:

- Based upon Garner Consulting's experience with another client that had 28,000 employees and retirees, estimates for a TPA ranged from \$400,000 to \$1.4 M for the initial set-up and implementation and between \$1.5 M to \$2.5 M for on-going administration.
- Lack of staff resources to complete a TPA RFP, and no budgeted funds are available to pay an outside consultant to assist in putting together a TPA RFP.
- The Trust Fund's budget does not include any funds to hire a TPA in December 2002; therefore, a request to the Legislature for such funding would be necessary.
- The next major decision point on a TPA would be in January 2003 when the Board considers a PeopleSoft upgrade, one of the long-term recommendations made by the Gartner Group.

Trustee Miyahira joined the meeting at 1:47 p.m.

After further discussion, the Board asked the Administrative Committee to reconsider this item at its next meeting during which Trustee Williams would discuss his concerns. Action on the Committee's recommendation is deferred to the next Board meeting on Monday, August 26. Trustees interested in detailed information on the RFI should contact Mr. Fukuhara.

2. Gartner Group Recommendations – Evaluation of the HFIMS.

Trustee Matayoshi stated that there is no report for this item. The Committee will discuss the scope of work for the recommended HFIMS modifications at its next meeting on Thursday, August 22, 2002, and report at the next Board meeting on Monday, August 26.

3. Development of Budget and Legislation.

Trustee Matayoshi reported that Mr. Fukuhara will present a rough draft of the biennium budget at the Committee's next meeting on Thursday, August 22. The Committee reported that the Benefits Committee is interested in submitting legislative proposals for consideration by the Board.

Trustee Miyake asked whether the Administrative Committee would be responsible for determining the amount of the administrative fees that would be charged by the Trust Fund since the Trust Fund's budget reflects the Trust Fund's administrative costs. Trustee Matayoshi indicated she believed it would be the Board's decision. After discussion, it was the consensus that the Administrative Committee would work with Mr. Fukuhara to develop a recommendation on the administrative fees. The trustees and Mr. Garner discussed several concepts for the calculation of administration fees. They discussed whether the amount of the administrative fees should differ for actives and retirees and how administrative costs would be allocated to group life insurance benefits.

B. RULES COMMITTEE

Trustee Miyake reported that the next Rules Committee meeting is scheduled for Tuesday, August 27, 2002, and Wednesday, August 27, 2002, both at 1 p.m., State Office Tower, Conference Room 405, to review the comments submitted as the result of the consultation with employee organizations and public employers. All trustees are invited to attend.

C. BENEFITS COMMITTEE

Agenda items 1-3 were combined in Trustee Lewis's report.

A red-line version, dated August 19, 2002, of the original Benefits RFP and Section 3, Medical Plan Details, were distributed. Trustees were asked to review the materials in anticipation of deliberation and action at the Board's next meeting on Monday, August 26.

Trustee Lewis will provide an overview and highlight major points of the RFP as the Committee's report and recommendation at the next Board meeting. Trustee Lewis reported that the Committee received comments as a result of the consultation with

employee organizations and public employers on the benefit plan designs to be included in the RFP. Comments were received from UPW, HGEA through Royal State, Maui County, City and County of Honolulu, and Mel Higa. A thank you letter will be sent to those who submitted comments and will include an invitation to attend the next Board meeting on Monday, August 26, at which the Board will discuss the RFP before action is taken. There were no substantive changes made to the RFP as a result of the submitted comments. One of the major comments questioned the proposed tiered rate structure, however, the Committee has not changed its position on using a two-rate tier structure.

Trustee Uwaine joined the meeting at 2:13 p.m.

Mr. Garner reviewed the comments that were submitted by the employee organizations and public employers. The comments concerned the proposed rate structure, the proposed composite rate payment process, the recommendation to add retro-active enrollments that may be required due to reinstatements based upon arbitration decisions, concerns that setting contribution rates may violate the new insurance regulations laws, that the Trust Fund may not have the legal authority to make benefit plan choices for employees by enrolling employees into a default plan, allocation of administrative costs, and other comments on health plan designs.

The Committee has asked the Attorney General to review the Trust Fund's ability to enroll current Health Fund participants into a default plan during the transition from the Health Fund to Trust Fund plans.

IV. OTHER REPORTS

A. ADMINISTRATOR

Mr. Fukuhara reported on program structure and performance measures for the Trust Fund that he proposed to submit to B&F.

MOTION was made to approve the submission of the items to be used as measures of effectiveness for the Trust Fund. (Miyake/Matayoshi)

After discussion among the Board and with the consent of the Board, the motion was withdrawn by Trustee Miyake.

MOTION was made to refer the measures of effectiveness to the Administrative Committee for review and submission to the Board for approval. (Williams/Matayoshi)
The motion was unanimously passed. (Employer trustees-4/Employee-Beneficiary trustees-5)

B. DEPUTY ATTORNEY GENERAL: No report.

MOTION was made to have the Board to waive the attorney-client privilege as to the four memoranda that were distributed by the Deputy Attorney General at the Board's last meeting and to make those memoranda public documents. (Miyake/Williams) The motion was unanimously passed. (Employer trustees-4/Employee-Beneficiary trustees-5)

RECESS: 2:49 p.m. to 2:57 p.m.

The trustees discussed whether it would be possible to proceed with Trustee Miyake's proposal to contract interested public employee unions as a provider of health benefit plans within guidelines established by the Trust Fund. Members of a union that was contracted by the Trust Fund would be required to participate in the plans offered by their union. Payments for coverage would be made through the Trust Fund and any surplus returned from the carriers would be returned to the Trust Fund for use to offset the cost increases in the union's plans. This concept provides plans that better meet the needs of the employees and eliminates the need to modification and upgrade of the HFIMS.

MOTION was made that this Trust move forward in contracting with unions to provide plans for its membership under the guidelines established by the Trust for July 1, 2003. (Miyake/Machida)

The trustees discussed the feasibility of proceeding with an action that would be contrary to the advice given by the deputy attorney general. The trustees discussed the impact of the proposal on the proposed benefits RFP currently being completed. The trustees had questions on the practical operation of Trustee Miyake's proposal. The issue was deferred to the next Board meeting on Monday, August 26, 2002, at which Trustee Miyake would provide a written proposal for the trustees' consideration.

RECESS: 3:50 p.m. to 3:52 p.m.

C. BENEFITS CONSULTANT: No report.

V. UNFINISHED BUSINESS:

A copy of the response from the Insurance Commissioner was included in the Trustee's packets.

VI. NEW BUSINESS

A. Mileage Reimbursement

The trustees discussed the reimbursement to trustees for reasonable expenses, mileage expenses, incurred as a result of Trust Fund work. Mr. Fukuhara reported that DAGS

confirmed that mileage reimbursement to trustees would be a permissible expenditure if approved by the Board. Other State boards and commissions are not reimbursing for mileage expenses, however, other county boards do reimburse and the travel costs are currently covered for Trustee Machida's travel to attend Board and Committee meetings.

MOTION was made for the Board to reimburse trustees for travel from the trustee's place of business to Board meetings and return trips at 37 cents per mile and other related official business. (Uwaine/Miyake)

The trustees discussed the meaning of "reasonable expenses" as provided in the statute and that such expenses could be discussed at the time of occurrence. The current motion is specifically for car allowance only.

MOTION was amended to allow for car allowance for any trustee retroactive to the start of this Trust. (Uwaine/Miyake)

Trustee Uwaine clarified that "car allowance" is intended to be mileage reimbursement. There was discussion not to limit it at 37 cents per mile, but pursuant to DAGS' rules and guidelines that would include various travel reimbursements.

PUBLIC COMMENTS:

N. Crowell commented that the motion should not be limited mileage reimbursement to 37 cents.

MOTION was amended to follow State DAGS' guidelines for travel reimbursement for trustees retroactive to the start of the Trust Fund. (Uwaine/Machida) The motion was unanimously passed. (Employer trustees-4; Employee-Beneficiary trustees-4)

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

- Ms. Kim written examples of coordination of benefits.
- Newsletter from State Ethics Commission, The High Road, was enclosed for the trustees.

PUBLIC COMMENT:

M. Higa commented that the RFP should be sent to the employee organizations and public employers for consultation. The Chair advised that it is not normal for State agencies to distribute an RFP to the public for input prior to finalizing the RFP, but the Board has decided to allow the bargaining units to make comments and comments were received.

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

The next Board meeting is scheduled for Monday, August 26, 2002, at 9 a.m., in the State Office Tower Conference Room 405. The Administrative Committee is scheduled to meet on Thursday, August 22, 2002, at 9 a.m., Executive Office on Aging, Conference Room 410. The Rules Committee is scheduled to meet on August 27- 28, 2002, at 1 p.m., State Office Tower, Conference Room 405.

IX. ADJOURNMENT

MOTION was made to adjourn the regular meeting. (Lewis/Matayoshi) The motion was passed unanimously. (Employer trustees-4/Employee-Beneficiary trustees-4)

The meeting was adjourned at 4:10 p.m.

Respectfully submitted,

Joan K. Lewis, Secretary-Treasurer

APPROVED on January 27, 2003.

Documents Distributed:

1. RFI from Potential TPA. (3 pages)
2. Letter from the County of Maui dated August 13, 2002. (2 pages)
3. Letter from the City and County of Honolulu, Department of Human Resources, dated August 15, 2002. (2 pages)
4. Letter from United Public Workers dated August 19, 2002. (8 pages)
5. Letter from Mr. Melvin Higa dated August 19, 2002. (8 pages)
6. Letter from Royal State Group dated August 20, 2002. (1 page)
7. Response to B&F regarding program structure and performance measures. (4 pages)
8. Response from the Insurance Commissioner dated August 5, 2002 regarding Chapter 431-9A, HRS. (1 page)
9. Data sheet regarding adverse selection from Ms. Ruth Kim. (1 page)
10. Hawaii State Ethics Commission, The High Road, August 2002. (2 pages)