I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:00 a.m. by Trustee George Kahoohanohano, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, August 26, 2009.
II. APPROVAL OF MINUTES
The minutes of the meetings of May 20, 2009 and June 17, 2009 were reviewed.

There being no objections by the Trustees, the minutes of May 20, 2009 were approved as circulated.

The minutes of June 17, 2009 is amended to list names of Trustees regarding furloughs on pages 3 and 4.

There being no objections by the Trustees, the minutes of June 17, 2009 were approved as amended.

III. OTHER REPORTS
A. Administrator
   1. August Update (see written report)
      a. PeopleSoft Support
         Overview by Ms. Shiroma regarding PeopleSoft support (see Administrator’s report).

      b. IT Support
         Overview by Ms. Shiroma regarding IT support (see Administrator's report).

      c. Vitech Systems Group, Inc. – V3 Benefits Administration System Implementation
         Overview by Ms. Shiroma regarding V3 Benefits Administration System Implementation (see Administrator's report).

   d. Request to Amend Vitech Contract
      This item will be considered under the Gartner project oversight and risk management report.

   e. IT Support by Gartner, Inc.
      Overview by Ms. Shiroma regarding IT support by Gartner, Inc. (see Administrator’s report).

   f. Update on Implementation of Dependent Eligibility Audit
      Overview by Mr. Williams regarding the update on implementation of dependent eligibility audit (see Administrator’s report). Mr. Williams reported that Board decisions will be considered after the Segal/Secova presentation of the project later in the meeting.

   g. RFP for EUTF Wellness Program
      Mr. Williams reported that the EUTF is working on the RFP for the EUTF
Wellness Program. Overview by Mr. Williams regarding the wellness survey that was sent to 1,200 randomly selected employees. DPOs were notified of the survey. In addition, the survey was sent to employer-employee organizations to use as a starting point to send the EUTF any input. By the September meeting the results of the survey will be shared with the Board. Mr. Williams stated that Trustee Ching requested that the deputy attorney general look at the legal ramifications of the mandatory wellness program. A copy of the deputy attorney general's letter regarding the proposed mandatory wellness program dated August 14, 2009 was distributed to the Trustees and will be addressed by Mr. Russell Suzuki. Trustee Radcliffe stated in light of the letter the Board received from the deputy attorney general that he would like to be made public; he does not see any reason to continue the issue on mandatory wellness since it is constitutionally protected under the American Disability Act.

MOTION was made for the Board to approve to waive the Attorney-Client Privilege on the letter regarding the proposed mandatory wellness program dated August 14, 2009 to the public. (Radcliffe/Ho) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

Trustee Radcliffe stated that he wanted the EUTF to mandate a wellness program so people could better control their own blood pressure, diabetes and so forth. About half the costs of health care in the United States and Hawaii are due to poor diet and lack of exercise. We have studied this extensively and found that voluntary programs are very ineffective. The people that need them the most do not want to volunteer. The EUTF was going to look into the issue of mandating. It would lower the cost very considerably but the deputy attorney general says that “Given the expansive definition of ‘disability’ under the ADAAA, a person diagnosed with diabetes, high blood pressure, obesity, etc., could claim discrimination under the ADAAA, and attempts to impose a mandatory wellness program with consequences for failure to complete examinations or assessments or for satisfactory engagement in a health enhancement plan, would most certainly face legal challenge.” Trustee Radcliffe stated that the Board should cancel the RFP for the EUTF Wellness Program.

MOTION was made for the Board to approve to cancel the RFP for the EUTF Wellness Program. (Radcliffe/Ho) After discussion by the Trustees, the motion passed unanimously (Employer Trustees-3/Employee-Beneficiary Trustees-5)

Trustee Radcliffe stated that the cost of health insurance for the EUTF member was $6,000.00 and we are going to average $7,300.00 and
information that we got about the future indicates that 9 or 10 years from now
all things being equal, it would be in the neighborhood of $50,000 per
person/year which means our system will be pretty much destroyed by that
point. Unless something is seriously done to change that path we are on, we
will continue on that path.

h. Update to Furnish Prescription Drugs Claim Auditing Services
   Overview by Mr. Williams regarding the update to furnish prescription drugs
   claim auditing services. The administrator is requesting authorization of the
   Board to begin the project between October 1, 2009 and November 1, 2009.

   MOTION was made for the Board to authorize the administrator to adjust the
   project start date of the prescription drug claims audit to between
   October 1, 2009 and November 1, 2009. (Dauefer/Radcliffe)  The motion
   passed unanimously (Employer Trustees-3/Employee-Beneficiary Trustees-5)

i. Employer Contributions for Bargaining Unit 7 Employees
   Overview by Mr. Williams regarding the employer contributions for
   Bargaining Unit 7 employees and a letter from Tony Gill, attorney for UHPA
   (see Administrator’s report).

j. FY09 Financial Audit
   Ms. Tonaki reported that Grant Thornton will be doing a presentation on the
   beginning phase of the EUTF audit (see Administrator’s report).

k. Accounting Issues
   Overview by Ms. Tonaki regarding the accounting issues (see Administrator's
   report).

l. Investment Program Development – RFP 09-004 Custodian Services
   Mr. Williams reported that the Board will review and consider the draft RFP
   for custodian services in Executive Session.

m. Proposed Rule Change
   Overview by Mr. Williams regarding the proposed rule change (see
   Administrator's report). The administrator recommends that the Board give
   final approval to the proposed rule changes to Administrative Rule 5.00 and
   transmit to the Governor for approval.

   MOTION was made for the Board to approve the proposed rules changes and
   transmit to the Governor for approval. (Dauefer/Radcliffe)  The motion passed
   unanimously (Employer Trustees-3/Employee-Beneficiary Trustees-5)
n. Protests Regarding Board's Decision to Implement Mandatory Mail Order for Maintenance Medications in the Prescription Drug Program

Overview by Mr. Williams regarding correspondence from participants regarding the Board’s decisions regarding changes to the prescription drug program and various news articles. The article from the Garden Isle in Kauai is not exactly accurate and has a lot of erroneous information. In response to some of Mr. Williams concerns on the complaints received, informedRx submitted a written response addressing the issues and areas of concern that will be covered in more detail during the consultant’s report. Mr. Williams stated that it is important, even if the Board does not comment that the EUTF has it on the record. When someone sends a letter to the Board that the Board does see it and that they can be assured that their comments are heard (see Administrator’s report). Discussion held by Trustees and staff regarding how many and what kind of complaints were received which is not a huge number but a significant number. Mr. Williams stated he did not ask staff to tabulate but if requested staff will do. Discussion held by Trustees and staff that payments need to be submitted before receiving prescriptions and coordination of benefits. Mr. Williams explained the procedures regarding coordination of benefits.

o. Department of Health Initiative on Worksite Wellness

Overview by Mr. Williams regarding the Department of Health initiative on worksite wellness (see Administrator’s report).

p. Speaking Engagement – Annual Conference of International Foundation of Employee Benefit Plans (IFEBP)

Mr. Williams reported that he has been invited to speak on a panel at the annual conference in Orlando during the first week of November. Budget and Finance approved the travel request since there is no expense to the State (see Administrator’s report).

q. Recruitment for Vacant Positions

Overview by Mr. Williams regarding the recruitment for vacant positions (see Administrator's report).

B. Dependent Eligibility Audit – Overview by Segal and Secova

Mr. Williams introduced Tupper Hillard (Segal) and Jim Kelly (Secova) who presented an overview of the dependent eligibility audit (see presentation). Discussion held by Trustees, staff and Segal/Secova if letters will be sent to all beneficiaries. Mr. Hillard stated that the letter will go to all employee and retiree beneficiaries that have an enrolled dependent. Mr. Kelly stated that the call center will be open 24/7 and that the key is to communicate with folks so they can understand exactly what is happening without any reservations or fear and if they
have questions they will know where to go. Mr. Williams stated that having a call
center open 24/7 is beyond what was required in the RFP. Mr. Hilliard continued
with the presentation. Discussion held by Trustees, staff and Segal/Secova regarding
prevalent or best practices, the timeline, cut-off dates and student coverage.
Mr. Williams summarized the background information regarding the grace
cancellation recommendations that was discussed with Mr. Brian Aburano,
Mr. Russell Suzuki and Segal and Secova. Mr. Kelly stated that the dollar savings
from cutting off and canceling of an ineligible is substantial. On a national average
on self insured plans savings is $4,400.00 per dependent average annual cost. The
effort is no different than debt collection if you go backwards to recover. There is a
reasonable period of time to collect and most carrier contracts permit a 60 to 90-day
window to recover. But going back to when the dependent was first enrolled in the
plan to recover is quite unusual. Trustee Radcliffe stated as he recalls in the past
when the federal government did this on taxation, they did not go backwards. They
just stopped them in their tracks and that was that. Trustee Boyer stated that under
the EUTF post grace period coverage cancellation penalty on page 12 of the
presentation, the correct date should be October 23rd, not October 31st. Mr.
Williams stated that will be corrected. Discussion held by Trustees, staff and
Segal/Secova regarding what would happen if a student drops out of college.
Mr. Jack Kitahira stated the 24/7 is for phone calls and on-line capabilities and asked
if a physical review is needed, will Segal/Secova be able to arrange to have face to
face meetings. Mr. Kelly stated face to face meetings are not planned but Secova has
managed on-going substantial retiree populations and is used to working through
specific documentation and believes they have an outstanding program to resolve
outstanding issues. Mr. Williams stated that the RFP did not call for a local office.

MOTION was made for the Board to approve the EUTF grace period coverage
cancellation incentive and EUTF post grace period coverage cancellation penalty
(page 12 of Segal/Secova presentation). (Daeufer/Ho) The motion passed
unanimously (Employer Trustees-3/Employee-Beneficiary Trustees-5)

C. Dispute Resolution – Mediation Update
Trustee Annis stated that the sub-committee members besides herself were Trustees
Ho, Kahoolanahan and Shiraki. Trustee Annis presented the report of the results of
mediation. Recommendations by the sub-committee:

Active Benefit Plans
Agreed (consensus) to recommend that effective January 1, 2010, the EUTF will offer
two PPO medical plans:
  Current Plan (90/10) – administered by HMA;
  Modified HMSA Comp Med plan (80/20, with $2500/$7500 out-of-pocket
  maximums);
No agreement on the dental fully insured plan.
Retiree Benefit Plans
Agreed (consensus) to recommend that the current plans be extended through December 31, 2009.
Agreed (3-1) to recommend that the retirees Coordination of Benefits (COB) provision be changed from the current full COB to a carve-out (also called non-duplication) provision, but with an income test structured so that financially strapped (threshold still to be defined) retirees would continue to have full COB.

MOTION was made upon the recommendation of the Mediation Sub-Committee for the Board to approve two PPO medical plans for actives: (1) the current plan of 90/10 administered by HMA; and (2) modified HMSA Comp Med plan (80/20, with $2500/$7500 out-of-pocket maximums).

Trustee Radcliffe stated for clarification that the Sub-Committee is recommending status quo and offering a second plan which is a voluntary plan which is a less good plan and is not a 90/10 plan but an 80/20 plan. It is a plan that limits and you have to spend more out of pocket than the 90/10 plan but it is a cheaper plan. So active members could choose that if they so wished and it is in line more with the community standard plan which was discussed by the Board since at least November and asked if that is right. Trustee Annis stated yes. Trustee Radcliffe stated that the status quo plan will be the default position and if people wanted to voluntarily, not take the high deductible plan, but get something in the middle between the EUTF plan and the high deductible plan. They could do that with this 80/20 plan that would be the vehicle and asked if that is correct. Trustee Annis stated yes. Trustee Ho stated that if the active employee wants to continue with the 90/10 plan, they would have to enroll in HMA only. There will no longer be an HMSA 90/10 plan. The HMSA plan will be the 80/20 comp med plan; out of pocket cost will be less. Trustee Daeufer asked if it would take affect January 1, 2010. Mr. Williams stated yes for actives, January 1, 2010 through June 30, 2010. Realistically Mr. Williams does not think the Board would intend that these options will end after June 30, 2010. Trustee Radcliffe asked if this requires everyone to re-enroll. Mr. Williams stated he has not really thought it through but the EUTF would give notice that if you are in the current plan and you want to stay in the current plan realizing that it is administered by HMA, then enrollment in the current 90/10 plan would continue. The other way would be if you do not respond, you will be dropped and the EUTF does not want to do that. They do not have to make an affirmative choice. The EUTF would have to make it very clear if they keep their current benefits their plan would be administered by HMA not HMSA. Mr. Roy Yamauchi (public) asked if the provider network will remain the same if he opted to choose the 90/10 because if his doctor is not participating with HMA he would need to find another doctor. The answer is it would be HMA network. Ms. Vanelle Hirayasu from HMA stated that they could use 80/20 if they use the same doctor. Discussion held by Trustees and Ms. Hirayasu regarding how close the network is to HMSA. Ms. Hirayasu stated the networks are not identical but close. For Oahu the network is 98% and for outer island less.
Mr. John Wadahara (public) asked where does the non-Medicare fit. Mr. Williams stated although it was not specifically addresses, the early retirees plan is the same as the actives. Mr. Rod Tam and Ms. Hirayasu stated that the non-Medicare is the same as retiree benefits. Mr. Fukuhara stated yes, what the carriers are saying is correct. The structure of the benefits for non-Medicare is the same as Medicare retirees. The difference is that for Medicare retirees, Medicare covers first. Trustee Radcliffe asked if there will be no impact. Mr. Fukuhara stated there are some differences and it will be discussed in Executive Session. Mr. Williams apologized and stated that this motion is for actives only, not retirees.

MOTION (restated) upon the recommendation of the Mediation Sub-Committee for the Board to approve two PPO medical plans for actives: (1) the current plan of 90/10 administered by HMA; and (2) modified HMSA Comp Med plan (80/20, with $2500/$7500 out-of-pocket maximums). After discussion by the Trustees, the motion passed unanimously (Employer Trustees-3/Employee-Beneficiary Trustees-5)

MOTION was made upon the recommendation of the Mediation Sub-Committee for the Board to approve that the retirees Coordination of Benefits (COB) provision be changed from the current full COB to a carve-out (also called non-duplication) provision, but with an income test structured so that low-income (threshold still to be defined) retirees would continue to have full COB.

Trustee Radcliffe stated that he made kind of a policy statement that as long as he is on the Board, retirees were not going to get touched and will be voting no. Ms. Susan Goya asked if there a dollar figure for the 10% carve out for retirees. Chair Kahoohanohano stated he does not think there is a dollar amount because rates and threshold has not been determined yet. Trustee Shiraki stated he thinks he asked Aon how it would affect the pricing. Mr. Justin Kindy stated Aon did an initial estimate that it would be 5%-7% savings on the Medicare population. Mr. Williams stated if you take COB as it is now and if Medicare is primary and they pay 80% of a $100 which is $80 then the EUTF plan would pay up to 90% but the EUTF is not getting billed 90% but getting billed for 20%. So the EUTF would pay the 20% and employee would pay zero. A simple example is that Medicare pays 80% and the EUTF plan pays 90%, so the EUTF would pay another 10%. In other words, carving out the benefits so that the person will pay the co-pay that is in the EUTF plan which in this example 10%. Under the current method they would pay zero and under the proposal the Medicare retiree would pay $10. It would also affect the early retiree if their spouse has another plan. Chair Kahoohanohano stated that the Board will need to develop a threshold before making a final decision. Discussion held by Trustees regarding the threshold. Chair Kahoohanohano stated that those retirees who are on the low end would not get penalized and added that he was one of the three that voted for this recommendation. Mr. Rod Tam from HMSA asked if the proposal would establish two different plans for retirees, how is the EUTF going to do that. Mr. Williams stated that it requires configuration and that there will be time and expenses.
With the earlier decision, the EUTF can do with the existing configuration because the EUTF still has one HMSA plan and one HMA plan. Mr. Williams stated that Mr. Tam is correct, the simplest way to implement, if this motion passes, the retirees would be separated into two groups those with the current COB and those with the carve out. For administration purposes it looks like two groups of retirees. Trustee Annis asked if there is enough support to go without details.

MOTION (restated) upon the recommendation of the Mediation Sub-Committee for the Board to approve that the retirees Coordination of Benefits (COB) provision be changed from the current full COB to a carve-out (also called non-duplication) provision, but with an income test structured so that low-income (threshold still to be defined) retirees would continue to have full COB. After discussion by the Trustees, the motion failed (Employer Trustees-3 YES-Annis, Boyer, Shiraki/Employee-Beneficiary Trustees-1 YES-Kahoohanohano, 4 NO-Daeufer, Fujio, Ho, Radcliffe).

Recess at 10:39 a.m. and reconvened at 10:50 a.m. [Trustee Ching arrived at 10:45 a.m.]

D. Project Oversight and Risk Management Assessment – Gartner, Inc.

Mr. Williams introduced Ms. Rosy Spraker of Gartner, Inc. Presentation by Ms. Spraker regarding the project oversight and risk management assessment report no. 6. Discussion held by Trustees, staff and Gartner regarding the project benefit risk. Mr. Williams recognized and thanked Ms. Spraker for going the extra mile. The administrator recommends that the Board approve to amend Vitech’s contract which Gartner supports. Sufficient trust funds are appropriated. As mentioned earlier, the justification is on page 2 of the Administrator report to the Board regarding the amendment to the Vitech contract. Discussion held by Trustees and staff regarding the cost increase, the cost of the disaster recovery hosting solution and the disaster recovery hosting through DAGS. Ms. Shiroma stated that we are included with DAGS when they do the disaster recovery host. Discussion held by Trustees, staff and deputy attorney general regarding if there is an option for DAGS. Mr. Suzuki stated that DAGS initial costs would be for the entire State. Trustee Annis stated that DAGS submitted a bill and it did not pass.

MOTION was made for the Board to approve the administrator’s request and recommendation to amend the Vitech contract to cover change orders, hours needed to complete Phase 1 through Phase 3, and implementation of the disaster recovery option in the amount of $754,000 and to authorize the administrator to take the necessary actions to complete the contract. (Radcliffe/Daeufer) After discussion by the Trustees, the motion passed unanimously (Employer Trustees-4/Employee-Beneficiary Trustees-5).

E. FY09 Financial Audit Presentation – Grant Thornton

Ms. Tonaki introduced Ms. Lynn Shimono of Grant Thornton. Presentation by
Ms. Shimono regarding communications related to the audit (see presentation).

Trustee Shiraki asked if the EUTF follows the single audit requirement.

Ms. Shimono stated no, the single audit requirement is where you have federal funding or grants and the EUTF does not have that. There is no impact to the EUTF financials. Mr. Williams asked if Grant Thornton’s contract is now managed under the State Auditor's Office or DAGS. Ms. Shimono stated the contract was amended last year, and the contract is now under the State Auditor’s office. Mr. Williams stated that formally the contract was procured through DAGS but the responsibility is now under the State Auditor's office.

F. Deputy Attorney General

Mr. Suzuki reported that briefs were filed in Supreme Court and is waiting on the scheduling of the oral arguments on it. Generally it takes 2-3 months to hear back from the Supreme Court. Mr. Suzuki will report back to the Board when a hearing is scheduled.

G. Benefits Consultant

1. August Report
   a. Active Retiree Newsletter Drafts and Updated Timeline
      Overview by Mr. Fukuhara regarding the active and retiree newsletter and updated timeline (see Consultant’s report).

   b. May Self-Funded Plans’ Losses
      Overview by Mr. Fukuhara regarding May 2009 self-funded losses (see Consultant’s report and table). Trustee Annis asked if the unrestricted reserves dropped and it does not appear to be related to benefits paid out then why did the unrestricted reserves drop the way it did. Mr. Justin Kindy stated that the distinction is that Aon did not see anything in May that specifically made May stick out. All the months of 2009 thus far has been higher in total claims than expected. Aon believes the particular reason that May stuck out from the financial perspective is a matter of timing. All carriers’ claims payments are accounted for but Aon does not have that detail to be able to answer that question. The key from Aon's perspective is that utilization for all the months of 2009 have been higher and that is why in general why the unrestricted assets are falling. Discussion held by Trustees and benefits consultant regarding the IBNR fluctuating and if the information is based on factual information. Mr. Kindy stated the IBNR is based on data received from carriers. Aon makes estimations based on the historical payment pattern of the carriers, how they pay claims out. The fluctuation that was described certainly did impact May of approximately $4 million. Unrestricted assets for May dropped $14 million. That $4 million describes $4 million of the $14 million. The remaining $10 million, from Aon's perspective, is timing with the general concept that utilization is higher and claims coming in higher than projected. Trustee Annis stated the bottom line being is the Trustees based
their current rates on 24% based on what the EUTF have in reserves and asked if Aon can advise the Board as to whether the Board is on track. The amounts for April, May, and June were frightening and if the Board is off by that amount every month it would appear the Board may need to further increase rates. Mr. Kindy stated that May and June were prior to the recently adjusted rates, at the time the Board made the decision effective July 1, Aon initially came with a 29.4% increase recommendation that was backed off for some reason taken out a couple of point of margin in some clinical and other strategy on the Rx side. So far, as of July 1, he does not believe all of the Rx changes have been made. So the EUTF still made losses because of that. Once all those programs are implemented and the resulting savings are made by the plan, then Aon anticipates until January, the plan will be okay. Aon will come at the next Board meeting with recommended rates for January 1, 2010 through June 30, 2010. Due to the increase in utilization, Aon will be recommending an increase for that six month period above what the Board has approved at 23% for the current extension rates for the six months. Currently, the Board is operating under the 23% increase from July 1, 2009 through October 31, 2009. Aon will recommend maintaining those rates until January 1 through December 31. Trustee Ching asked what is the magnitude Aon is talking about. Mr. Kindy stated preliminarily, Aon is look at 5%-6% more. Trustee Annis asked what timeframe the Board is looking. Mr. Kindy stated probably at the next Board meeting Aon can provide those rates a week prior to the meeting for the Board to review. Chair Kahoolanohonano asked if Aon has not pinpointed why the rates went up. Mr. Kindy stated generally speaking when the economic on the American level is bad and health care cost being increase that is part of it. What Aon has seen with the EUTF has been exaggerated more than other clients. Other clients are seeing an uptick in their trend but not at the same level as the EUTF and part of that may be tied to some uncertainty with the EUTF specifics and how things are going to move. With some of the direction and decisions made today might help. Trustee Radcliffe stated that more active employees and dependents have been seeing physician, dentists because they feel they might be losing their jobs. Just what employees are going through now is very stressful and everyone is going to the doctor more often.

c. informedRx (NMHC)
   (1) Update on Negotiations Regarding Contract Changes
       This item will be addressed in Executive Session.

   (2) Status Report on Clinical Changes for Actives and Non-Medicare Retirees
       Overview by Mr. Fukuhara regarding informedRx status report regarding the participant outreach/educational sessions and an overview summary that was presented at these sessions. Overview by Mr. Terry Harrison
Regarding the letter from informedRx dated August 14, 2009 regarding the feedback and concerns participants have voiced since the implementation of these changes.

Overview by Mr. Fukuhara regarding Aon’s recommendation of the following: (1) Postpone the effective date of reference based pricing from September 1, 2009 to January 1, 2010; (2) Exempt nonspecialty prescription drugs requiring refrigeration from Mandatory Mail Order and allow them to be filled at retail pharmacies; and (3) Move Oral Oncology prescriptions from Tier 4 to Tier 3 co-pay structure.

Discussion held by Trustees, staff and informedRx regarding the cost implication of the delay. Mr. Shipkin stated only two classes are affected and savings of $5 million in total and 1/4 of that would be approximately $1.25 million. Mr. Kindy stated the impact to rates would be approximately .5% more. Mr. Williams stated that it would be in reverse because the rates for October 31, 2009 and if extended to December 31, 2009, the rates are already in place. So that becomes a possible loss because it is a higher premium, whatever income is already projected. Come January it is not an increase in what the figure Mr. Kindy gave because then the change would be implemented and the savings that Mr. Shipkin gave would be in place. Mr. Kindy stated the needed increase would not change unless the Board would want to recover what was lost. Trustee Ching stated that the bottom line is that savings would be delayed. Mr. Roy Yamauchi (public) asked how the savings were calculated and what part involved rebates. Mr. Shipkin stated it was calculated based on current utilization and on current costs of drugs and 50% conversion rate. Mr. Shipkin would be more than happy to share the methodology with Mr. Yamauchi. Mr. Yamauchi stated part of the pharmacist statement is that informedRx does apply rebates; it really is the net cost. Mr. Shipkin stated that rebates were not calculated in the savings estimates.

MOTION was made for the Board to approve the consultant’s recommendation to postpone implementation of the reference based pricing program to January 1, 2010. (Ho/Fujio) After discussion by the Trustees, the motion passed. (Employer Trustees-3 YES-Annis, Boyer, Shiraki, 1 NO-Ching/Employee-Beneficiary Trustees-5 YES-Daeufer, Fujio, Ho, Kahoolanohano, Radcliffe)

MOTION was made for the Board to approve the consultant’s recommendation to exempt non-specialty drugs requiring refrigeration from the maintenance mail order program. (Fujio/Ho)
Trustee Annis asked what would be the cost. Mr. Shipkin stated that it would cost the plan $72,000 annually and a pick-up of a 30-day co-pay by the member so it is almost a wash. Discussion held by Trustees, informedRx and members of the public (Mr. Roy Yamauchi and Mr. Tom Tanifuku) regarding concerns about shipment of temperature control medication and how drugs are handled. Mr. Mark Adkison from informedRx explained how they ship refrigerated products. If the refrigerated products come to the island of Oahu, it is shipped by UPS and would arrive the next day. If it is going to an outer island it takes two days so informedMail would double pack the ice. If anything sent needs refrigeration, it is not sent by postal service. Chair Kahoohanohano asked if informedRx still meets all the federal standards. Mr. Adkison stated yes, it is packed with the appropriate corrugated box to meet the temperature of the specific drugs. They know the ranges of the specific drugs and how they need to be shipped, monitor that and ship out packages to different parts of the country with tracking mechanisms. Mr. Roy Yamauchi (public) asked about mailing for non refrigerated drugs. Chair Kahoohanohano stated his question went out specifically that they still have to meet the federal requirements. Whether it is a different company, they all have to follow the same federal requirements.

MOTION (restated) for the Board to approve the consultant's recommendation to exempt non-specialty drugs requiring refrigeration from the maintenance mail order program. After discussion by the Trustees, the motion passed unanimously (Employer Trustees-4/Employee-Beneficiary Trustees-5)

MOTION was made for the Board to approve the consultant's recommendation to move Oral Oncology prescriptions from Tier 4 to Tier 3 co-pay structure. (Ho/Daeufer)

Trustee Radcliffe stated the legislation that passed on the oral oncology drugs does not take effect until January 1, 2010. Mr. Fukuhara stated that this change has already been made. Trustee Radcliffe asked how come because it is not effective until January 1, 2010. Mr. Williams stated that this was not done as part of the legislation. This was part of the package of changes where we changed the injectibles from the medical plan to the prescription drug plan and this is one of those changes.

MOTION (restated) for the Board to approve the consultant's recommendation to move Oral Oncology prescriptions from Tier 4 to Tier 3 co-pay structure. After discussion by the Trustees, the motion passed unanimously (Employer Trustees-4/Employee-Beneficiary Trustees-5)
Overview by Mr. Fukuhara regarding informedRx continuing the current diabetes life coaching program for those EUTF participants enrolled in this pilot program. (see Consultant's report).

(3) Molokai Pharmacy – Update on Correspondence
Overview by Mr. Fukuhara regarding update on correspondence between informedRx and Molokai Drugs (see Consultant's report).

(4) informedRx Annual Plan Review
Overview by Mr. Fukuhara regarding informedRx Annual Plan Review (see Consultant's report). Mr. Shipkin presented key highlights of this report.

(5) Clinical Recommendations for Medicare Retirees
Overview by Mr. Fukuhara regarding informedRx clinical recommendations for Medicare retirees. Mr. Williams stated he is concerned about this clinical recommendation for Medicare retirees. Discussion held by Trustees, staff and benefits consultant regarding doing to study for one month. Mr. Fukuhara stated it is not critical and can address it next month. Mr. Williams suggests making the effective date January 1, 2010. Trustee Shiraki asked why Medicare retirees and not actives. Mr. Fukuhara stated it is already approved and done for actives. Trustee Shiraki asked why the postponement. Trustee Radcliffe stated he does not need a lot of information. It is just that actives and retirees have been beating down on him and making any sudden changes or moves now without them having a chance to see how they feel or time to think about it. If he does not hear any big noise from retirees then fine.

MOTION was made for the Board to postpone the clinical recommendations for Medicare retirees for another month. (Radcliffe/Ho) After discussion by the Trustees, the motion passed unanimously (Employer Trustees-4/Employee-Beneficiary Trustees-5)

d. Active Benefits through 6/30/2010 and Retiree Benefits through 12/31/2009
Overview by Mr. Fukuhara regarding the active benefits through 6/30/2010 and retiree benefits through 12/31/2009 and open enrollment (see Consultant's report and memorandum dated August 19, 2009).

MOTION was made for the Board to approve to extend current benefits and rates for actives and retirees through December 31, 2009. (Shiraki/Ho) The motion passed unanimously (Employer Trustees-4/Employee-Beneficiary Trustees-5)
MOTION was made for the Board to approve to schedule open enrollment for actives and retirees from November 2, 2009 through November 30, 2009. (Ho/Daeufer)

Discussion held by Trustees, benefits consultant and member of the public (Ms. Kelly Go) regarding open enrollment dates and effective dates of rates.

MOTION (restated) for the Board to approve to schedule open enrollment for actives and retirees from November 2, 2009 through November 30, 2009. After discussion by the Trustees, the motion passed unanimously (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Mr. Fukuhara continued his overview regarding the active benefits through 6/30/2010 and retiree benefits through 12/31/2009 (see memorandum dated August 14, 2009). Discussion held by Trustees, staff and benefits consultant regarding items that need Board approval in order to conduct open enrollment during the month of November. Mr. Williams clarified that all plans and rates effective January 1, 2010. For actives it would be through June 30, 2010 and for retirees through December 31, 2010. Mr. Fukuhara stated that Aon will present preliminary numbers for actives and non-Medicare retirees at the October Board meeting. There is no Board meeting scheduled for November.

e. Preliminary Fully-Insured Retiree Plan Benefits and Rates Effective January 1, 2010
This item will be addressed during Executive Session.

f. Preliminary Self-Insured Retiree Plan Benefits and Rates Effective January 1, 2010
Overview by Mr. Kindy regarding the preliminary self-insured retiree plan benefits and rates effective January 1, 2010 (see memorandum dated August 19, 2009). Mr. Williams asked if this is higher than what was previously estimated. Mr. Kindy stated that is correct and this is on top of the extension rates currently as opposed to last year's plan.

Overview by Ms. Tonaki regarding the financial report as of June 30, 2009 (see financial reports). Ms. Tonaki reported that the unrestricted net assets for June is $2.9 million. Between May and June's report there was a decrease of approximately $7 million that was due to the self-funded plans.

I. Carrier’s Reports
1. HDS
Written report submitted.
2. HMSA
Written report submitted. Mr. Rod Tam commended the Board for making a decision for the plan year.

3. HMA
Written report submitted. Ms. Hirayasu introduced Ms. Norma Lau who will be the new HMA representative.

4. informedRx (NMHC)
Written report submitted. Mr. Mark Thierer, CEO of informedRx, introduced Mr. Mark Adkison who is part of the local team. Mr. Thierer stated that the Board made a bold decision to making changes to pharmacy benefits. The cost savings to the plan will be more than $10 million. 83 outreach sessions were held. He thanked the Board for allowing informedRx to service the EUTF.

5. Kaiser
Written report submitted.

6. Royal State Insurance
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
Action was taken on this item during the report on mediation and the consultant's report. Mr. Williams stated that is would be helpful to have a motion to cover other self-funded plans that were not addressed to June 30, 2010. Discussion held by Trustees and staff regarding waiting until September 30, 2009 and if any other changes will be made. Trustee Shiraki suggested that we wait until next month.

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. Open Enrollment Dates
This item was addressed during the Consultant's report.

V. NEW BUSINESS
A. Extension of Benefit Plans and Rates through December 31, 2009
This item was addressed during the Consultant's report.

B. Vitech Supplemental Contract #2
This item was addressed previously in the meeting.

C. Proposed Rule Change – Administrative Rule 5.00
This item was addressed during the Administrator's report.
D. Prescription Drug Program – Postpone Effective Date of Reference Based Pricing from September 1, 2009 to January 1, 2010
   This item was addressed during the Consultant's report.

E. Prescription Drug Program – Exemption of Reference Based Drugs from Maintenance Mail Order Program
   Mr. Williams stated based on the action that was taken and new information he received; he withdrew his recommendation regarding this item.

F. Prescription Drug Program – Exemption of Nonspecialty Drugs Requiring Refrigeration from Maintenance Mail Order Program
   This item will be addressed during the Consultant's report.

G. Prescription Drug Program – Move Oral Oncology Prescription Drugs from Tier 4 to Tier 3 Copay Structure
   This item was addressed during the Consultant’s report.

H. Prescription Drug Program Clinical Changes for Medicare Retirees Effective January 1, 2010
   This item was addressed during the Consultant's report and is postponed.

I. RFP 09-004 Proposals to Furnish Custodial Account Services
   This item will be addressed in Executive Session.

J. RFP 09-003 Prescription Drug Claim Audit – Award of Contract
   This item will be addressed in Executive Session.

K. informedRx Contract Revisions and Extension of Contract Period
   This item will be addressed in Executive Session.

   This item was addressed during the report on the dependent eligibility project.

M. Appeal from Employee-Beneficiary Regarding Medical Coverage Extension
   This item will be addressed in Executive Session.

N. Administrator Recruitment Process
   This item will be addressed in Executive Session.

O. Personnel Matters
   This item will be addressed in Executive Session.
VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

Mr. Kimberly Svetin thanked the Board, Mr. Williams, Ms. Quartero and Mr. Adkison regarding this matter. Documents were distributed to the Trustees. Ms. Svetin stated Molokai Drugs received the third draft of an agreement from informedRx's. After conferring with the State of Hawaii Board of Pharmacy and the State of Hawaii Department of Health Food and Drug Branch, Molokai Drugs has found the most recent agreement unacceptable (see letter dated August 26, 2009). Ms. Svetin requested to be added to the agenda in September 30, 2009 Board meeting. Mr. Williams stated that it would have to be at the request of a Trustee to add an agenda item and from the staff's perspective, the EUTF staff would not add to agenda. Trustee Radcliffe stated mail order is an option there are circumstances that Molokai Drugs believe that patients would be better in a lower overall medical costs and asked if Molokai Drugs is saying that they could do this at lower costs. Mr. Mikami stated he has been a pharmacist for over 45 years and is the only provider. Trustee Radcliffe stated that the Board knows that. Mr. Mikami commented about how Molokai accepts payments and people do not want mail order and shared some history about Molokai people. Trustee Radcliffe asked if Molokai Drugs can provide at a lower costs. Ms. Svetin stated that Molokai Drugs will need to find out. Trustee Radcliffe stated he will put this item on the agenda but all he wants to know if Molokai Drugs can deliver the same costs. Ms. Svetin asked if it is basically the three month supply. Trustee Radcliffe stated that there is not going to be an exemption today and may not get an exemption at all. The question is whether or not Molokai Drugs can provide the products at the same costs as the other providers. Chair Kahoohanohano stated that at the request of Trustee Radcliffe, Molokai request for exemption will be put on the agenda for September 30, 2009 Board meeting.

Mr. DeGray Vanderbilt stated he met with Mr. Thierer and Mr. Adkison and shared about the high cost of living in Molokai and that the drug cost on Molokai is a little higher. informedRx TLC does not compare to the care the patients get from Molokai Drugs. The overall health care cost on Molokai because of the special situation in Molokai, by leaving the mail order choices, the EUTF will have less non-compliance and the overall health care costs to the State and everybody will be lower. He does not think anybody will lose any money and that it will be a wash on the costs situation. Molokai Drugs has worked so hard to be sustainable and hopes the Board seriously consider an exemption looking at the overall cost basis. He stated that informedRx had two meetings on Molokai, a telecommunication meeting at the University campus which 4 people attended and one at the county which 10% of the actives and early retirees attended. He hopes the Board respects the due diligence and professionalism that he thinks Molokai Drugs shown. Mr. Roy Yamauchi commended the Board for their attention to this issue and that he shares the same end. As a beneficiary his goal is to sustainable benefit for the future. Mr. Yamauchi stated that he thinks Trustee Radcliffe asked the wrong question and shared his views that it is the tendency of a lot of organizations to look at the drug benefits in a silo. Everything that the Board does here has an impact on the medical spin
and being a self funded organization is a huge liability. To add to the complexity of the Board's understanding of how the drug benefits works and how the Board will control the cost, the Board cannot lose sight of their actions.

Trustee Boyer asked why informedRx cannot use discount coupons. Chair Kahoohanohano stated that informedRx can respond to the Board in writing.

VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE
A. September 30, 2009 – Regular Board meeting at 9:00 a.m.
   Discussion held by Trustees and staff regarding polling for other available dates.
   Ms. Maria Quartero will poll Board members to see who is available before September 30, 2009.

Chair Kahoohanohano 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 appeal from Employee-Beneficiary regarding medical coverage extension.
3. Approval of contract award for prescription drug claim audit.
4. Approval of informedRx contract revisions and extension of contract period.
5. Approval of RFP 09-004 to furnish custodial account services.
6. Approval of Recruitment Committee.

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. Draft Minutes for 5/20/09. (10 pages)
2. Draft Minutes for 6/17/09. (14 pages)
3. Memorandum to BOT from Administrator regarding August Administrator Report dated 8/19/09. (6 pages)
4. Sample-Hawaii Worksite Wellness Survey. (4 pages)
5. EUTF Dependent Eligibility Verification Project Executive Summary. (3 pages)
6. EUTF Dependent Eligibility Verification Presentation. (18 pages)
7. EUTF Benefits Administration System Project Assessment Report 6, Summary Presentation for the Period 5/1/09-6/30/09 submitted 8/13/09. (15 pages)
8. Communications Related to the Audit by Grant Thornton dated 8/26/09. (9 pages)
10. EUTF Timeline dated 8/19/09. (1 page)
11. Draft Active and Retiree Newsletters. (4 pages)
12. Comparison of Carrier Reported Payments from EUTF for 03/09 through 06/09 by Aon dated 8/19/09. (1 page)
13. informedRx Status Report dated 8/1/09. (30 pages)
14. informedRx, Correspondence between informedRx and Molokai Drugs. (6 pages)
15. informedRx, Annual Plan Review and Clinical Recommendations for Medicare Retirees. (19 pages)
16. Letter to BOT from Aon Consulting Regarding Active Benefits through 6/30/2010 and Retiree Benefits through 12/31/2009 dated 8/19/09. (1 page)
17. Letter to BOT from Aon Consulting Regarding Self-Insured PPO Retiree Rates for January 1, 2010 through December 31, 2010 dated 8/19/09. (1 page)
18. EUTF Proposed Self Insured Retiree Rates Effective January 1, 2010 dated 8/19/09. (1 page)
19. EUTF Statement of Net Assets (Unaudited) dated 8/17/09. (1 page)
20. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 12 Months Ended 6/30/09 (Unaudited) dated 8/15/09. (1 page)
22. Letter from City & County of Honolulu Regarding Revised Proposed Rule Changes dated 8/6/09. (1 page)
24. Letter from HGEA Regarding Revised Proposed Rule Changes dated 8/6/09. (1 page)
25. E-mail from HHSC Regarding Revised Proposed Rule Changes dated 8/10/09. (1 page)
26. Letter from DHRD Regarding Revised Proposed Rule Changes dated 8/5/09. (1 page)
27. Letter from JUD Regarding Revised Proposed Rule Changes dated 7/29/09. (1 page)
28. E-mail from Cty of Kauai Regarding Revised Proposed Rule Changes dated 8/7/09. (1 page)
29. Letter from UH Regarding Revised Proposed Rule Changes dated 8/6/09. (1 page)
30. Letters and E-mails Regarding the Mandatory Mail Order Program.
31. Honolulu Advertiser Article, "New drug plan could adapt to meet needs" dated 8/18/09. (1 page)
32. Honolulu Advertiser Article, "Hawaii government employees balk at switching medications" dated 8/16/09. (3 pages)
33. Honolulu Advertiser Article, "Hawaii state, county workers must fill prescriptions by mail". (3 pages)
34. Garden Isle Article, "New gov't program worries local pharmacies" dated 7/25/09. (2 pages)