

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
Minutes of the Board of Trustees  
Thursday, September 25, 2008

TRUSTEES PRESENT

Ms. Marie Laderta, Chairperson  
Ms. Barbara Annis, Vice Chairperson  
Ms. Elizabeth Ho, Secretary-Treasurer  
Mr. Guy Fujio

Mr. George Kahooohanohano  
Mr. Gerald Machida  
Mr. John Radcliffe  
Mr. Lawrence Reifurth

TRUSTEES ABSENT

Mr. Darwin Ching  
Mr. Stanley Shiraki

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator  
Mr. Lawrence Nishihara  
Ms. Maria Quartero  
Ms. Kathleen Shiroma  
Ms. Donna Tonaki

Mr. Timothy Nimmer, Consultant  
Mr. Mark Fukuhara, Consultant  
Mr. Justin Kindy, Consultant  
Ms. Joni Tamayo-Wilson, Consultant

OTHERS PRESENT

Ms. Lynette Arakawa, HDS  
Ms. Sara Ballard, NMHC  
Ms. Sandra Benevides, Kaiser Permanente  
Ms. Monica Engle, VSP  
Ms. Elaine Fujiwara, HDS  
Ms. Venus Gabuyo RSN  
Ms. Susan Goya, HGEA  
Ms. Vanelle Hirayasu, HMA  
Ms. Bonny Kahalewai, Standard Insurance

Ms. Ruth Kim, HSRTA  
Ms. Wanda Kimura, B&F  
Ms. Alice Kotake, HSTA-R  
Ms. Doreen Kuroda, HRD  
Ms. Margaret Lawrence, HWMG  
Mr. Maurice Morita, HSTA  
Ms. Gertrude Nitta, HGEA-R  
Ms. Rosy Spraker, Gartner  
Mr. Rod Tam, HMSA

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:00 a.m. by Trustee Marie Laderta, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Thursday, September 25, 2008.

Mr. Williams introduced Ms. Nicole Wong, Health Benefits Program Manager.

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for August 20, 2008 and August 25, 2008.

There being no objections by the Trustees, the minutes for August 20, 2008 and August 25, 2008 were approved as circulated.

III. OTHER REPORTS

A. Administrator

1. September Update (see written report)
  - a. PeopleSoft Support  
Overview by Ms. Shiroma regarding PeopleSoft support (see Administrator's report).
  - b. Vitech Systems Group, Inc. – V3 Benefits Administration System Implementation  
Overview by Ms. Shiroma regarding V3 Benefits Administration System Implementation (see Administrator's report).
  - c. IT Support by Gartner, Inc. –SPO Approved Vendor  
Overview by Ms. Shiroma regarding IT support by Gartner, Inc. (see Administrator's report).
  - d. Retiree Open Enrollment  
Overview by Mr. Nishihara regarding retiree open enrollment (see Administrator's report). NMHC will send a Medicare Part D expert to open enrollment sessions. Discussion held by Trustees and staff regarding reason no open enrollment session in Lanai. Mr. Nishihara stated turnout in Lanai was minimal but members will receive correspondence by e-mail. Trustee Machida stated he wanted to confirm that Lanai is taken care of.
  - e. Financial Audit for FY 2007-2008  
Update by Ms. Tonaki regarding the financial audit for FY 2007-2008 (see Administrator's report). Mr. Williams stated a letter from Grant Thornton regarding the audit was in the Trustee's packet and it is good for Trustees to review.
  - f. Accounting Issues  
Update by Ms. Tonaki regarding the collection issue with CMS (see Administrator's report).
  - g. GASB 43/45  
Ms. Tonaki reported the OPEB (pre-funding contributions) received from the counties and where the funds were invested (see Administrator's report). The records should reflect the correct maturity date should be 3/9/09 not 3/9/08 as stated in the Administrator's report.
  - h. Contract with Mercer Consulting for Investment Consulting Services  
Update by Ms. Tonaki regarding the Mercer contract (see Administrator's report). The EUTF received the evidence of authority and the tax clearance is still outstanding.

- i. Diabetes Life Coaching Program Proposal  
Overview by Mr. Williams regarding the new proposal for expansion of the pilot project to EUTF participants. This item will be considered for approval during the consultant report.
- j. Recruitment for Vacant Positions  
Overview by Mr. Williams regarding recruitment for vacant positions (see Administrator's report). Mr. Williams stated that any new request for hires must be approved by the Governor.

B. PROJECT OVERSIGHT AND RISK MANAGEMENT ASSESSMENT –  
GARTNER, INC.

Presentation by Ms. Rosy Spraker from Gartner, Inc. regarding the project oversight and risk management assessment (see Gartner's report submitted 9/12/08).

C. DEPUTY ATTORNEY GENERAL

1. Everson Lawsuit

Mr. Aburano reported on: (1) Plaintiffs' appeal of the Board's declaratory ruling order which resulted in the Board's order being overturned by Judge Hifo; and (2) the original lawsuit filed by Plaintiffs which is still pending before Judge Ayabe. As to the first matter, Mr. Aburano reported that both the State and the Board filed separate notices of appeal of Judge Hifo's final judgment on September 15, 2008. The appeals are now with Hawaii's appellate courts. As to the second matter, Mr. Aburano reported that the State and County Defendants had filed opposition to Plaintiffs' motion for class certification. Mr. Aburano gave an overview of State Defendants' arguments against class certification. Mr. Aburano reported that Judge Ayabe heard oral argument on Plaintiffs' motion for class certification. Judge Ayabe indicated that he was inclined to accept State Defendants' argument to stay the lawsuit pending the outcome of the appeal of Judge Hifo's final judgment. However, the Judge took the matter under advisement and the parties are awaiting his decision. Ruth Kim asked how retirees could get out of Plaintiffs' lawsuit, raised concerns about retirees bearing the costs of Plaintiffs' attorneys' fees, and questioned how the lawsuit would affect the EUTF and Act 88. Mr. Aburano said that if Plaintiffs' lawsuit was certified as a class action, there probably would be an opportunity for retirees to "opt out" of the lawsuit. Mr. Williams noted that if Judge Ayabe decides to hold the lawsuit in abeyance pending the outcome of the appeal of Judge Hifo's decision, there is no need to deal with class action issues now. Mrs. Kim raised questions regarding what retirees could do if they hired their own attorney and when they should do so. Mr. Aburano said that he couldn't advise Mrs. Kim about these matters. He suggested that retirees who were concerned about the lawsuit should consult with their own attorney.

2. OIP Opinion Letter 08-01

Mr. Aburano reported on a recent opinion of the Office of Information Practices (OIP), a copy of which is in the Trustees' packets. The Maui County Council ("Council") requested an opinion as to whether it was okay for Council members to attend meetings of committees of the Council when they were not members of those committees. The OIP opinion said that this was not appropriate.

Mr. Aburano gave an explanation of the rationale of the OIP opinion.

Mr. Aburano said that the OIP opinion means that it is not okay for a Board member to attend meetings of the Administrative or Benefits committees if they are not members of those committees – even if all they want to do is sit and hear what goes on at the meeting. Mr. Aburano noted that the OIP opinion indicated that Council members could attend meetings of committees of the Council if all Council members were made members of those committees. Mr. Aburano said that Board members should note that the OIP opinion said that the Sunshine Law would be violated if board members circulated written materials to each other between board meetings because that constituted interaction of board members outside of a regularly noticed public meeting.

C. BENEFITS CONSULTANT

1. September Report

a. HMSA EMS Notification

Overview by Mr. Fukuhara regarding HMSA EMS notification (see Consultant's report).

b. Open Enrollment Guide for Retiree Participants and Newsletters

Overview by Mr. Fukuhara regarding open enrollment guide for retiree participants and newsletters (see Consultant's report).

c. VSP Eye Health Management Update

Overview by Mr. Fukuhara regarding VSP eye health management (see Consultant's report).

d. Retro-Terminations Update for Self-Funded Program

Overview by Mr. Fukuhara regarding retro-terminations for self-funded program (see Consultant's report).

e. Medicare Retirees Who Have Not Enrolled in Kaiser Senior Advantage Plan

Overview by Mr. Fukuhara regarding Medicare retirees who have not enrolled in Kaiser Senior Advantage plan (see Consultant's report). Mr. Fukuhara stated as of yesterday, 98 retirees have not enrolled in the Kaiser Senior Advantage plan.

- f. Amending FSA Plan Documents  
Overview by Mr. Fukuhara regarding amending FSA plan documents (see Consultant's report).
  
- g. Standard Insurance – Coverage for Disabilities  
Overview by Mr. Fukuhara regarding language in Standard Insurance contract that was carried over from prior insurance carrier for disability coverage (see Consultant's report). Discussion held by Trustees and benefits consultant regarding HIPAA requirement because of an outside entity asking for information on an injury. Mr. Fukuhara stated that the carrier is contacting the employer to ask whether the employee prior to passing away was disabled for 12 months or longer. Mr. Aburano stated there is no HIPAA problem as the employer is not a covered entity under HIPAA, i.e., an entity which can only disclose medical information in conformance with HIPAA requirements. Mr. Williams stated that the bottom line and where the EUTF is headed is not to do that and to amend language that carried forward from the past contract which was never enforced by the previous life insurance carrier. Standard Insurance wants to get the contract officially corrected to reflect actual administration by the prior carrier which would result in no change in procedures by the employers or the EUTF and no change in determining qualifications for life insurance benefits.
  
- h. Student Certification Process  
Overview by Mr. Mark Fukuhara regarding the student certification process (see Consultant's report). Mr. Fukuhara stated the report should reflect the correct number of participants HMSA sent letters to is 4,672 not 6,672. Over 2,500 provided information on dependents, 2,100 did not provide any information, and information was received by 255 that responded their dependents were no longer students. In the future, the Vitech system will be able to provide support in handling student certifications.
  
- i. HBHC Diabetes Life Coaching Proposal to Expand Participation  
Overview by Mr. Fukuhara regarding HBHC diabetes life coaching proposal to expand participation (see Consultant's report). Aon recommends approving the expansion of the Diabetes Life Coaching program to include 20 additional participants. Discussion held by Trustees, staff, and benefits consultant regarding why only 20 additional participants. Mr. Fukuhara stated the limitation to 20 additional participants is because of funding. Participants do not have to pay co-pays and the grant pays the pharmacist the cost of consultation. They have certain dollar amounts available and determined it will cover 20 more people from the EUTF.

MOTION was made for the Board to approve the consultant's recommendation to authorize expansion of the Diabetes Life Coaching program for up to 20 EUTF participants. (Reifurth/Radcliffe) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-5)

- j. Financial Reports and Self-Funded Retiree Plan Benefits/Rates Effective 1/1/09  
Overview by Mr. Nimmer regarding the financial reports and IBNR evaluation for FYE 6/30/08 (see Consultant's and End of Year Utilization reports).

MOTION was made for the Board to approve the IBNR in the amount of \$35,389,000 as presented by the consultant including a 5% margin as of 6/30/08 and accept the total IBNR reserve for FY08 and FY09 as the same amount. (Radcliffe/Ho) The motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-5)

Overview by Mr. Nimmer regarding benefits, rates and administrative fees for unbundled retiree medical and prescription drug plans; options and recommendation for the Board's consideration (see Consultant's report).

Chair Laderta recommends that decision-making regarding rate increases effective July 1, 2009 be deferred until the next Board meeting. Mr. Williams stated in correlation to that, recommends a motion to affirm or confirm that the retiree rates will be kept the same as they are now to June 30, 2009. Discussion held by Trustees and staff regarding the rates that need to be published in the enrollment guides. Mr. Williams stated these rates have been approved; the question is whether the Board, as one option, is to change rates effective January 1, 2009. Discussion held by Trustees and staff regarding attendance at the next Board meeting and concern if rates need to be approved at the next Board meeting. Mr. Williams stated that the drop dead date for approval would be the December Board meeting. The current motion on the floor does not have to do with any postponement but only the six month period from January 1, 2009 through June 30, 2009.

MOTION was made for the Board to affirm that the retiree rates will be kept the same as they are currently to June 30, 2009. (Radcliffe/Machida) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-5)

There being no objections by the Trustees on the Chair's recommendation, the rate increases effective July 1, 2009 are deferred until the next Board meeting.

Recess at 10:30 a.m. and Reconvene at 10:40 a.m.

- D. Financial Report as of July 31, 2008  
Overview by Ms. Tonaki regarding the financial report as of July 31, 2008 (see financial reports).
- E. Carrier's Reports
1. HDS  
Written report submitted. Ms. Arakawa reported that HDS is conducting a survey of EUTF members. The results will be reported to the EUTF in January 2009.
  2. HMSA  
No written report submitted. Mr. Tam reported that HMSA's on-line care is set to roll out the second week of January 2009. HMSA will be submitting a request to the EUTF for approval EUTF participant data to be given to American Well that would allow EUTF participants to their claim data when they want access on-line. HMSA will be subsidizing the costs for approximately six months, then after that will ask the EUTF if they want to continue this subsidy.
  3. HMA  
Written report submitted.
  4. Kaiser  
Written report submitted.
  5. NMHC  
Written report submitted.
  6. Royal State Insurance  
No written report submitted.
  7. Standard Insurance  
Written report submitted.
  8. VSP  
Written report submitted.

IV. UNFINISHED BUSINESS

- A. HDS Retiree Plan Benefits and Rates  
This item will be addressed in Executive Session.

V. NEW BUSINESS

- A. Diabetes Life Coaching Program Proposal to Expand Participation  
This item was addressed during the Consultant's report.
- B. Attorney General's Written Opinion dated 8/14/08-Patient Bill of Rights – Waive Attorney-Client Privilege  
This item will be addressed in Executive Session.

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C. Retiree Self Funded Plan Benefits and Rates (effective January 1, 2009)

This item was addressed during the Consultant's report.

D. Self Funded Plans IBNR

This item was addressed during the Consultant's report.

E. Self Funded Plans Administrative Rates

This item was addressed during the Consultant's report.

F. 2009 Legislative Proposals

Mr. Williams reported that he is not recommending any proposals be submitted to the legislature. This item is on the agenda in case any Trustee would like to get the Board to approve to direct the staff to draft a proposal. Mr. Williams stated that last year, the EUTF submitted relatively minor housekeeping proposals to improve our law and a group of legislators attempted to amend those proposals towards their own agenda. Mr. Williams recalled that prior to doing that Trustee Shiraki had advised that might happen and it did.

VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

None

VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

A. The next regular Board meeting is scheduled for Wednesday, October 29, 2008, 9:00 a.m., EUTF conference room, 15<sup>th</sup> floor.

VIII. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 10:50 a.m. for the reasons stated on the agenda. (Radcliffe/Kahooohanohano) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

The Executive Session adjourned at 11:15 a.m.

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

1. Approval of August 20, 2008 Executive Session minutes.
2. Approval of Waiver of Attorney-Client Privilege for Attorney General Opinion Letter regarding Patient Bill of Rights.
3. Approval of retiree plan rates for HDS effective 7/1/08-6/30/09.

IX. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 11:16 a.m.

Respectfully submitted,

/s/

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Elizabeth Ho, Secretary-Treasurer

APPROVED on October 29, 2008.

Documents Distributed:

1. Draft Minutes for August 20, 2008. (13 pages)
2. Draft Minutes for August 25, 2008. (3 pages)
3. Memorandum to BOT from Administrator regarding September Administrator Report dated 9/16/08. (3 pages)
4. Benefits Administration System Project Assessment Report 1 for the Period April 24-June 30, 2008, submitted 9/12/08 by Gartner, Inc. (63 pages)
5. Letter to BOT from Aon Consulting regarding September 2008 Benefit Consultant Report dated 9/15/08. (4 pages)
6. Ka Leo O EUTF Newsletter for Active Participants, September 2008. (4 pages)
7. Ka Leo O EUTF Newsletter for Retiree Participants, September 2008. (4 pages)
8. EUTF End of Year Utilization Report 6/1/07-6/30/08 by Aon Consulting. (25 pages)
9. EUTF Statement of Net Assets (Unaudited) revised 9/22/08. (1 page)
10. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 1 Month Ended 7/31/08 (Unaudited) revised 9/22/08. (1 page)
11. EUTF Statement of Cash Flows 1 Month Ended 7/31/08 (Unaudited) revised 9/22/08. (1 page)
12. Draft EUTF Administrative Rules 6/25/08. (64 pages)
13. OpenLine, August 2008. (2 pages)
14. Minutes for June 25, 2008. (10 pages)
15. Minutes for July 11, 2008. (5 pages)