

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, September 28, 2005

TRUSTEES PRESENT

Mr. John Radcliffe, Chairperson	Ms. Marie Laderta
Mr. Gerald Machida, Vice-Chairperson	Ms. Joan Lewis (arrived 9:18 am)
Ms. Katherine Thomason, Secretary-Treasurer (arrived 9:03 am)	Mr. Mark Recktenwald
Mr. Nelson Befitel	Mr. Stanley Shiraki
Mr. George Kahooohanohano	

TRUSTEES ABSENT

Mr. Willard Miyake

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator	Mr. Andy Keowen, Consultant
Mr. Lawrence Nishihara	Ms. Rebecca Delfino, Associate
Ms. Maria Quartero	Ms. Donna Tonaki
Ms. Kathleen Shiroma	

OTHERS PRESENT

Ms. Sandra Benevides, Kaiser Permanente	Ms. Ruth Kim, HSTA-R
Ms. Irene Bayudan, VSP	Ms. Wanda Kimura, B&F
Ms. Alana Deppe-Mariota, Kaiser Permanente	Mr. Paul Matsuo, HGEA-R
Ms. Elaine Fujiwara, HDS	Mr. Maurice Morita, HSTA
Ms. Venus Gabuyo, MBAH	Mr. Michael Moss, HMSA
Ms. Liz Ho, AFSCME	Ms. Gertrude Nitta, Retiree
Ms. Jeri Kakuno, MDX Hawaii	Mr. Rod Tam, HMSA
Mr. Eleu Kane, Summerlin	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:01 a.m. by Trustee John Radcliffe, Chairperson, in Conference Room 1935, City Financial Tower, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, September 28, 2005.

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for March 17, 2004 and August 24, 2005.

Amendment to the draft minutes for March 17, 2004: page 3, line 33 after EUTF add "staff".

MOTION was made to approve the draft minutes for March 17, 2004 as amended. (Recktenwald/Machida) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

MOTION was made to approve the draft minutes for August 24, 2005 as submitted. (Kahooohanohano/Laderta) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

III. OTHER REPORTS

A. Administrator

1. September Update (see written report)

a. PeopleSoft Support

Overview by Ms. Shiroma regarding modifying the previous authorization to obtain PeopleSoft support (see Administrator's report). Mr. Williams requested that the Board modify the previous authorization to authorize the Administrator to issue a request for proposal ("RFP") rather than a request for professional services and to contract for PeopleSoft support.

MOTION was made to authorize the Administrator to issue a RFP rather than a request for professional services and to negotiate and execute any resulting contract for PeopleSoft support. (Thomason/Kahooohanohano) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

b. Alternatives to the PeopleSoft System

Overview by Ms. Shiroma regarding the drafting and managing of a RFP for a new benefit administration system (see Administrator's report). Mr. Williams requested that the Board authorize the Administrator to proceed with a RFP and contract in accordance with SPO procedures, rather than utilizing the previously authorized request for professional services process.

MOTION was made for the Board to authorize the Administrator to issue a RFP rather than a request for professional services and to negotiate and execute any resulting contract for a service provider to develop and manage a RFP for a new benefit administration system. (Kahooohanohano/Thomason) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

c. Premium Holiday

Overview by Mr. Williams regarding the premium holiday (see Administrator's report). Mr. Williams summarized the reason for the staff's recommendation that the Board approve paying the employee and employer contributions for all employees enrolled in MBAH chiropractic premium for the month of December from EUTF's reserves for approximately \$102,000 (see written report). Discussion held by Trustees and staff to clarify: (1) that the HMSA premium holiday is an alternative to a rate reduction for the current fiscal or plan year; (2) if the recommendation is approved, it will be

funded by the EUTF's reserves and not by any negotiations with MBAH; and (3) failure to approve the recommendation would result in no additional work for staff, except questions from employees or some confusion if there is a small deduction in pay stubs for the MBAH chiropractic premium.

MOTION was made for the Board to approve paying the employee and employer contributions for all employees enrolled in MBAH chiropractic plans for the month of December from EUTF's reserves for approximately \$102,000. (Machida/Thomason) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

d. Implementation of HSTA VEBA

Mr. Williams reported that an HSTA-MBC staff member contacted him and stated that they would like to review the draft MOU, which was sent. To date, no response has been received. Discussion held by Trustees and staff regarding amendments to the MOU and if there were any indications when the VEBA would be implemented. Mr. Williams explained that the final MOU would need Board approval and that there is no action to be taken at this time. Ms. Pestana stated that HSTA is still working on the VEBA and reviewing the MOU.

Trustee Lewis arrived at 9:18 a.m.

e. Royal State Dual Coverage for BU01 and BU10 Premium Difference

Overview by Ms. Tonaki regarding the Royal State Dual coverage for BU01 and BU10 premium difference (see written report). Mr. Williams stated that the staff's recommendation is for the Board to approve covering the amounts that employees owe and amounts due to the counties. Discussion held by Trustees and staff regarding payments to the counties and working with negotiating parties ahead of time so this would not become a problem again.

MOTION was made for the Board to approve the staff recommendation to authorize payment of the difference in premiums for the Royal State Dual Coverage plan per the collective bargaining agreements for bargaining units 01 and 10 for the period of 2/1/04 to 5/15/05 and for bargaining unit 07 members from 7/1/04 to 5/15/05 from EUTF reserves.

(Lewis/Kahoohanohano) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

f. Medicare Part D – EUTF Assistance to the Department of Budget and Finance

Overview by Mr. Nishihara regarding Medicare Part D (see Administrator's report). Pre-notice to retirees will be sent out today (see Pre-notice). Mr. Williams reported that the MOU is in the last stage of review and will be

finalized soon. A signed copy will be transmitted to the Trustees.

- g. Direct Deposit of Medicare Part B Premium Refunds in Cooperation with ERS
Update by Ms. Shiroma (see Administrator's report).
- h. EUTF Facilities – Option to Lease Additional Space
Overview by Mr. Lawrence Nishihara regarding the option to lease additional space for the EUTF (see Administrator's report). A meeting is scheduled next week with DAGS leasing and the architect.
- i. PEHF Refund Project
Overview by Mr. Lawrence Nishihara regarding the PEHF refund project (see Administrator's report). A final report will be submitted at the next Board meeting.
- j. Health Conferences
Summary by Mr. Williams regarding health conferences (see Administrator's report).
- k. CHAT (Choosing Health Plans All Together)
Summary by Mr. Williams regarding CHAT session (see Administrator's report).

B. DEPUTY ATTORNEY GENERAL: None

C. BENEFITS CONSULTANT

September Report (see written report)

1. Performance Standards

Overview by Mr. Keowen regarding Kaiser's performance standards and penalty (see Consultant's report). Chair Radcliffe acknowledged and commended the consultant for setting high customer service standards and the other vendors for meeting them. But most of all, Chair Radcliffe commended Kaiser for self-policing and penalizing themselves for not meeting the high customer service standards and stated that this indicates what a good corporate partner Kaiser is to the EUTF. Kaiser's actions underscore the positive spirit among healthcare providers, and Chair Radcliffe stated that this type of action makes EUTF's healthcare system the best in the country.

2. Medicare Part D

Kaiser rates will be discussed in Executive Session.

Mr. Keowen stated that Kaiser indicated that if a Kaiser member enrolls in a non-Kaiser Part D plan, he or she will be disenrolled from the Kaiser plan.

Ms. Benevides clarified that it is a CMS regulation that if a Medicare-eligible beneficiary enrolled in another Medicare Part D plan, then they would be disenrolled from the Senior Advantage program. Ms. Benevides said a letter explaining the consequence will be sent by Kaiser to members about this. Discussion held by Trustees and Ms. Benevides regarding the number of members in the Kaiser Senior Advantage plan. Mr. Williams stated that there are issues in what Ms. Benevides is describing that may not be permissible under Kaiser's contract with the EUTF and discussions will need to be held with Kaiser to resolve these issues. Mr. Williams explained that it is a requirement that age 65 and over be in a Medicare plan and it is not permissible for them to be in a non-Medicare Kaiser plan. It was also noted that the rates for a non-Medicare Kaiser plan are higher. The EUTF does not want the retirees in Kaiser plans to erroneously enroll in another Medicare Part D plan and communication efforts will be undertaken to minimize this happening. Mr. Williams indicated that if retirees in Kaiser plans do enroll in another Medicare Part D plan, they would have a choice of not being in an EUTF medical plan at all or of being in a HMSA plan. No action needed at this time.

3. Benefit Plan Changes
Overview by Mr. Keowen regarding benefit plan changes (see Consultant's report). HMSA recently sent a letter that was given to the Trustees.
 4. Potential Conflict of Interest
Mr. Keowen reported that Garner Consulting has been asked by Kaiser California to conduct training for their employees on rules and regulations applicable to Health Reimbursement Arrangements. Mr. Keowen confirmed that Kaiser California and Hawaii are two different entities and the consultant fees for one day would be less than \$2,000. There were no objections from the Trustees.
 5. Garner Consulting Bulletins for August/September 2005
Mr. Keowen reported that there is nothing in the bulletins requiring further comment (see bulletins).
- D. Financial Report as of July 31, 2005
Overview by Ms. Tonaki regarding the financial report as of July 31, 2005 (see written reports).
- Trustee Thomason requested that discussion be held at the next Board meeting regarding setting up a Finance Committee. There being no objections by the Trustees, this item and an update on self-funding (to include the pros/cons of self-funding) will be on the agenda for the next Board meeting.
- E. Carrier's Reports
1. HDS

Written report submitted.

2. HMSA

Written report submitted.

3. Kaiser Permanente

Written report submitted. Ms. Benevides reported that an invitation is extended for the Trustees to attend an informational seminar on health care solutions. As of September 1, 2005, all Kaiser members are able to access Health Connect. Some announcements have been made in Kaiser's publication and additional information will be communicated to Kaiser members.

4. MBAH

No report submitted.

5. Royal State Insurance

Written report submitted.

6. VPS

Written report submitted.

IV. UNFINISHED BUSINESS: None

V. NEW BUSINESS

A. MBAH Chiropractic Premiums – Approval to Pay Contribution for Month of December

Discussed and action taken under the Administrator's report.

B. Administrative Rules – Correction to 5.05(b)

Mr. Aburano reported that last year the Board approved changes to several of the Administrative Rules pertaining to the adoption of children. One of the rules changed was Rule 5.05(b)(3). When that change was made, a phrase was inadvertently left out; there was no intention to remove that phrase as part of the rule change. The staff is now asking the Board to approve a correction to add back the phrase inadvertently left out.

MOTION was made for the Board to approve the correction to the rule change for Rule 5.05(b)(3). (Recktenwald/Laderta) The motion passed unanimously.
(Employer Trustees-5/Employee-Beneficiary Trustees-4)

C. PeopleSoft Support – Modify Previous Authorization to Authorize Administrator to Issue RFP and Contract

Discussed and action taken under the Administrator's report.

D. Drafting and Managing RFP for New Computer System – Modify Previous Authorization to Issue RFP and Contract

Discussed and action taken under the Administrator's report.

- E. Supplemental Budget – Approval of Proposed Supplemental Budget Items
Overview by EUTF staff regarding the proposed supplemental budget (see written report).

Recess at 10:05 a.m. and Reconvened at 10:15 a.m.

Overview by Ms. Shiroma regarding the new benefits administration system. Discussion held by Trustees and staff regarding concerns about submitting a supplemental budget request for a higher amount of \$5.5 million when the legislature denied the lower amount of \$2 million earlier; getting support from other State agencies, and educating the legislature about the investment of having a new benefit administration system and concerns about putting it off. Mr. Williams explained that his understanding when the legislature in the last session zeroed out the amount for FY 07 is that the objection mainly was in the House, they wanted to be assured that the EUTF was going to go off of PeopleSoft and get a new system. The EUTF is going toward that direction and an educational process is needed. The EUTF staff will be meeting with the B&F staff this week to review the details of the supplemental budget. Mr. Williams stated that the staff will be looking at different financing strategies and spreading out the administrative fee over a couple of years to ease the impact on the employer. Further discussion held by Trustees and staff regarding the procurement issue in collaboration with ERS. Mr. Williams clarified that the EUTF will continue to work with ERS regardless of the vendor.

MOTION was made for the Board to approve for submission to the Department of Budget and Finance, Governor, and Legislature the supplemental budget request for FY 07 as presented in the amount of \$5,511,830. (Kahoochanohano/Lewis) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

- F. Royal State Dual Coverage – Approval of Administrator’s Recommendation to Pay Premium Difference
Discussed and action taken under the Administrator's report.
- G. Kaiser Permanente Medicare Part D Benefits – Approve Enrollment of Kaiser Senior Advantage members in Medicare Part D and Approve Rate Reduction Proposed by Kaiser
To be discussed in Executive Session.
- H. Legislative Proposals – Approval of Legislative Proposals for 2006 Session of Legislature
 - 1. Act 245
Chair Radcliffe reported that Trustee Miyake requested a proposal to amend Act 245 regarding VEBA trusts so that all retirees would remain with EUTF and any VEBA(s) would cover only active employees. Mr. Aburano explained that the

proposed rough draft (see proposed draft) removes all references to having retirees in the VEBA plans and includes specific language to require employees to actually leave the VEBA plan upon reaching retirement and then being eligible, thereafter, to enroll in the EUTF plans. There being no objections by the Trustees, this item was postponed until the next Board meeting. Mr. Shiraki confirmed that if the Board approved this proposal in October, B&F would accept the proposal for consideration even though the deadline has passed.

2. HRS 87A-23

Mr. Williams stated now that the EUTF has the capability to do direct deposits, this proposal would require individuals who become eligible for Medicare Part B reimbursements on or after July 1, 2006 to accept direct deposits. This would put the EUTF in sync with the ERS that already has a similar provision in its statutes. Discussion held by Trustees and staff regarding concerns about direct deposits. Mr. Williams stated that he is not aware of any problems of ERS regarding direct deposits and there is a provision to allow waivers.

MOTION was made for the Board to approve to submit the legislative proposal to amend Chapter 87A to require direct deposit of Medicare Part B reimbursement payments for future retirees as presented to Budget and Finance, the Governor and the Legislature. (Thomason/Machida) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

I. Declaratory Ruling on HB1548 (Act 250) – Approve EUTF Requesting Declaratory Ruling

Chair Radcliffe reported that Trustee Miyake is requesting that the EUTF Board seek a declaratory ruling as to the effect of HB 1548 (Act 250). Mr. Aburano reported that he spoke with several senior deputies in his office, and they are not in favor of the EUTF bringing such an action at this time. Mr. Aburano explained that courts do not like to hear cases until they become actual controversies, which means there are two adverse parties, who have adverse interests on the subject, and the facts of the case have developed to a point where there is a present controversy rather than a hypothetical question or merely something that may happen in the future. In this particular case, there is an issue as to whether or not the EUTF has suffered an actual injury or is in such an immediate threat of injury as to have a vital interest at stake. Currently, there could be arguments that there is no injury to the EUTF as no event triggering rights or obligations under HB 1548 (Act 250) has occurred. Another issue is whom would we sue if the EUTF brought a declaratory judgment action, i.e., the legislature appears to be immune from a lawsuit even if it is only a declaratory judgment action, the EUTF would presumably have the same legal position as the governor, and this leaves the unions which may not necessarily have different legal positions from the EUTF regarding HB 1548 (Act 250). As such, it would be preferable to wait until there is an event that triggers an actual controversy under

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HB 1548 (Act 250). At that time, if no other parties bring a declaratory or other action to decide the issue, the EUTF can review this matter again.

MOTION was made for the Board to approve that the EUTF initiate and seek a declaratory ruling regarding the status of HB 1548 (Act 250). (LewisMachida)

MOTION was made for the Board to postpone this item until the next Board meeting. (Lewis/Machida) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

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

VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE
Board meeting is scheduled for Tuesday, October 25, 2005, 9:00 a.m., Place (Tentative-SOT, Room 405).

Board meeting is scheduled for Wednesday, November 30, 2005, 9:00 a.m., CFT-room 1935.

Administrative Committee meeting is scheduled for Wednesday, November 30, 2005, 2:00 p.m., CFT-room 1935 to discuss revising of the Administrative Committee.

VIII. EXECUTIVE SESSION
MOTION was made to go into Executive Session at 10:47 a.m. for the reasons stated on the agenda. (Thomason/Kahoochanohano) The motion passed unanimously. Employer Trustees-5/Employee-Beneficiary Trustees-4)

Recessed at 10:47 a.m. and Reconvened at 10:50 a.m.

MOTION was made to move out of Executive Session. (Befitel/Miyake) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

Executive Session adjourned at 11:06 a.m.

Executive Session Report:

1. Approved the rate reduction of the Kaiser Senior Advantage plan for Kaiser retirees and enrollment of Kaiser Senior Advantage members for Medicare Part D benefits.

IX. ADJOURNMENT

There being no objections by the Trustees, the regular meeting was adjourned at 11:07 a.m.

Respectfully submitted,

/s/

Katherine Thomason, Secretary-Treasurer

APPROVED on October 25, 2005.

Documents Distributed:

1. Draft Minutes for March 17, 2004. (8 pages)
2. Draft Minutes for August 24, 2005. (14 pages)
3. Memorandum to BOT from Administrator regarding September Administrator Report dated 9/20/05. (10 pages)
4. Message to EUTF Retirees Regarding New Medicare Part D Prescription Drug Program (1 page)
5. Memorandum to BOT from Administrator regarding Royal State Dual Coverage for BU01 and BU10 Members dated 9/19/05. (8 pages)
6. Letter to BOT from Garner Consulting regarding September Benefit Consultant Report dated 9/19/05. (6 pages)
7. EUTF Statement of Net Assets (Unaudited) dated 9/13/05. (1 page)
8. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison Month Ended 7/31/05 (Unaudited) dated 9/15/05. (1 page)
9. EUTF Statement of Cash Flows Month ended 7/31/05 dated 9/14/05. (1 page)
10. Memorandum to BOT from Administrator regarding MBAH Chiropractic Premiums for the Month of December dated 9/16/05. (2 pages)
11. 5:05 Termination of Enrollment; Effective Dates of Termination. (1 page)
12. Memorandum to BOT from Administrator regarding FY 2007 Supplemental Budget dated 9/20/05. (7 pages)
13. Memorandum to BOT from Administrator regarding Legislative Proposals dated 9/21/05. (23 pages)
14. The High Road, September 2005. (2 pages)
15. Approved Minutes for May 19, 2004. (10 pages)
16. Approved Minutes for May 17, 2005. (10 pages)
17. Approved Minutes for June 1, 2005. (4 pages)
18. Approved Minutes for June 22, 2005. (9 pages)