

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, September 30, 2009

TRUSTEES PRESENT

Mr. George Kahooanohano, Chairperson
Mr. Guy Fujio, Vice Chairperson
Mr. Stanley Shiraki, Secretary-Treasurer
Ms. Barbara Annis
Mr. Ron Boyer

Mr. Darwin Ching (left 9:30 a.m. /return 11:30 a.m.)
Dr. Carl Daeufer
Ms. Marie Laderta
Mr. John Radcliffe

TRUSTEES ABSENT

Ms. Elizabeth Ho

ATTORNEY

Mr. Russell Suzuki, Deputy Attorney General

EUTF STAFF

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

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

OTHERS PRESENT

Ms. Lynette Arakawa, HDS
Ms. Nikki Bassett, informedRx (NMHC)
Ms. Sandra Benevides, Kaiser Permanente
Ms. Monica Engle, VSP
Ms. Elaine Fujiwara, HDS
Ms. Venus Gabuyo, Royal State
Ms. Kelly Go, Molokai Drugs, Inc.
Ms. Susan Goya, HGEA-R
Ms. Donna Higashi, HSTA-R
Ms. Vanelle Hirayasu, HMA
Ms. Laurie Hirohata, Employee-Beneficiary
Ms. Leslie Huffman, Standard Insurance
Ms. Fran Kagawa, HGEA-R
Mr. Jack Katahira, HGEA-R
Ms. Bonny Kahalewai, Standard Insurance
Ms. Doreen Kuroda, DHRD

Ms. Norma Lau, HMA
Mr. Derek Mizuno, HGEA
Mr. Michael Moss, Kaiser Permanente
Mr. Harris Nakamoto, HMA
Ms. Gertrude Nitta, HGEA-R
Mr. Clesson Pang, Kaiser Permanente
Ms. Kimberly Svetin, Molokai Drugs, Inc.
Mr. Rod Tam, HMSA
Ms. Jennifer Tobin, C&C-Human Resources
Ms. Valerie Trechter, Kaiser Permanente
Ms. Betty M. Tsukiyama, HGEA-R
Mr. DeGray Vanderbilt, Molokai Gen Plan Advisory Bd
Mr. John Wadahara, HGEA-R
Ms. Sharon Urada, ATPA
Mr. Bob Uyeda, HGEA-R
Mr. Sam Yong, HGEA-R

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:00 a.m. by Trustee George Kahooanohano, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, September 30, 2009.

II. APPROVAL OF MINUTES

The minutes of the meetings of July 15, 2009 and August 26, 2009 were reviewed.

There being no objections by the Trustees, the minutes of July 15, 2009 and August 26, 2009 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). Mr. Williams stated this is a major milestone for the EUTF to have the new system up and running. He introduced and recognized the team. Kathleen Shiroma, EUTF project manager, Karen Lewis, Vitech project manager, Lawrence Nishihara, Donna Tonaki, and Nicole Wong.

c. Request to Amend Vitech Contract

Overview by Ms. Shiroma regarding the request to amend the Vitech contract (see Administrator's report).

d. IT Support by Gartner, Inc.

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

e. New HIPAA Interim Final Rules

Overview by Ms. Shiroma regarding the new HIPAA interim final rules (see Administrator's report). Ms. Shiroma stated the effective date of the rule in the Administrator's report should be corrected to "2009" not 2209.

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).

g. Update on Implementation of Prescription Drugs Claim Audit

Overview by Mr. Williams regarding the update to furnish prescription drugs claim audit (see Administrator's report).

h. Employer Contributions for Bargaining Unit 7 Employees

Overview by Mr. Williams regarding the employer contributions for Bargaining Unit 7 employees (see Administrator's report).

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

September 30, 2009 Minutes

PAGE 3

- i. FY09 Financial Audit
Ms. Tonaki reported that Grant Thornton was onsite (not "currently" as stated in the Administrator's report) at the EUTF office conducting the FY09 EUTF financial audit. A draft audit report will be presented at the December Board meeting (see Administrator's report).
- j. Accounting Issues
Overview by Ms. Tonaki regarding the accounting issues (see Administrator's report).
- k. Investment Program Development – RFP 09-004 Custodian Services
Update by Ms. Tonaki regarding the Investment Program Development – RFP 09-004 Custodian Services (see Administrator's report). [Trustee Ching left at 9:30 a.m.]
- l. Implementation of Board's Decisions Regarding the Prescription Drug Program
Overview by Mr. Williams regarding the implementation of the Board's decisions regarding the prescription drug program (see Administrator's report).
- m. Department of Health Initiative on Worksite Wellness
Mr. Williams introduced Ms. Lola Urban, Mr. Robert Hirokawa, and Ms. Katie Richards of the Department of Health (DOH) to present the results of the joint EUTF-WSWTF employee survey (see Administrator's report and presentation by DOH).
- n. Furloughs of Excluded/Exempt Employees
Mr. Williams reported that the Administrator, Assistant Administrator, and Administrative Secretary received personnel action notices of payroll adjustments due to furloughs of three (3) days per month effective September 16, 2009. Other than the Executive Order by the Governor from B&F staff, no information regarding applicability of and/or implementation of furloughs to EUTF employees was received from the Director of Finance. Mr. Williams stated he wants the Board to be aware that this does have an impact on productivity and will not result in any savings to the State's general fund (see Administrator's report).
- o. Recruitment for Vacant Positions
Overview by Mr. Williams regarding the recruitment for vacant positions (see Administrator's report).

Trustee Radcliffe stated he had a question from a newspaper reporter that

wanted information from the EUTF but could not find it because there was no one available to speak to. It is one indicator of the problem the EUTF is going to have. The EUTF is going to have furloughs which has no productive reason and will result in no savings. The only reasoning seems to be we are going to do it anyway because we are going to do it anyway. Trustee Radcliffe stated he wants to make the comment that he continues to oppose something that does not do any good.

B. Dispute Resolution – Mediation Update

Chair Kahoochanohano reported that there were no further meetings with the mediator.

C. Deputy Attorney General

Mr. Suzuki reported that the Everson oral argument is scheduled for November 19, 2009 at the Hawaii Supreme Court at 9:00 a.m. Deputy Attorney Rebecca Copeland will be arguing this case. Also, the Supreme Court has an after the fact audio if you are unable to attend the hearing. Mr. Williams stated that the EUTF has a former Chair sitting on the Supreme Court and asked if he would participate in this case. Mr. Suzuki stated that normally they would recuse themselves from the proceeding but he will check.

D. Benefits Consultant

1. September Report

a. Updated Timeline

Overview by Mr. Fukuhara regarding the updated timeline (see Consultant's report).

b. informedRx

(1) Clinical Changes for Medicare Retirees Effective January 1, 2010

Mr. Fukuhara summarized why Aon recommends the Board to not make any clinical changes under the Medicare retiree prescription drug plan (EGWP) at this time (see Consultant's report). Trustee Annis asked if premiums that were established for self-funded plans that were partially based on certain things would decrease the savings projected.

Mr. Fukuhara stated no, it does not change the previous numbers that Aon provided. If the Board did approve these changes, Aon has a different set of rates for retirees.

(2) Formulary Changes for Medicare Retirees effective January 1, 2010

Overview by Mr. Fukuhara regarding the formulary changes for Medicare retirees effective January 1, 2010 (see Consultant's report). Discussion held by Trustees and benefits consultant regarding concerns to reviewing cost savings and impact these changes would have. Further discussion held by Trustees and benefits consultant that these are not changes Aon or informedRx came up with, CMS requires certain

changes. Discussion held by Trustees, staff, benefits consultant and member of the public regarding the negative changes and the dollar amount. Mr. Fukuhara stated Aon's report included for the negative changes approximately 7,362 participants for 139 products

MOTION was made for the Board to approve the consultant's recommendation of formulary changes for Medicare retirees effective January 1, 2010, as prepared by informedRx and summarized in attachment 2b to the consultant's report. (Daeufer/Radcliffe) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

(3) Treatment for RSV Infections

Overview by Mr. Fukuhara regarding RSV infections (see Consultant's report). Discussion held by Trustees and benefits consultant regarding if this is good or bad for the child and what does the authorization criteria mean Mr. Fukuhara stated what it means in general the doctors feel that their guidelines are the best treatment for RSV infections and would like the EUTF prescription drug plan to follow their guidelines. informedRx has revised their prior authorization guidelines to be consistent and support the local Chapter of the American Academy of Pediatrics' _ guidelines.

MOTION was made for the Board to approve to ratify the prior authorization process related to treatment of RSV infections developed by the consultant and informedRx and currently being implemented. (Shiraki/Laderta) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

(4) Molokai Drugs

Overview by Mr. Fukuhara regarding documents from/between informedRx and Molokai Drugs distributed to the Trustees. Mr. Williams clarified that a letter dated September 16, 2009 was received from Molokai Drugs requesting an exception and meeting a co-payment proposal. At the last Board meeting, two Trustees requested to add the request as an agenda item for this meeting and it would be appropriate to address the letter now. Trustee Radcliffe stated he brought this issue back to see if there is any compromise and apparently there is not any. informedRx has a proposal on the table and Molokai Drugs had three objections. All the objections were answered. Molokai Drugs does not want to agree but they could. Molokai Drugs wants an exception, period. They argue, in part, with the camel's nose under the tent, that there is a possibility that other unions or organizations may enact similar programs to save money and be negatively affected more

then it is affected by the EUTF now. It would seem to Trustee Radcliffe one argument to accept the informedRx offer but he guesses not. Unless someone on the Board has something pretty persuasive Trustee Radcliffe is not inclined to vote for it. Trustee Annis stated she agrees with Trustee Radcliffe. No comments received from the members of the public.

MOTION was made for the Board to approve the request for exception and proposal by Molokai Drugs as presented in their letter of September 16, 2009. (Radcliffe/Shiraki) After discussion by the Trustees, the motion failed. (Employer Trustees-4 NO Annis, Boyer, Laderta, Shiraki/Employee-Beneficiary Trustees-4 NO Daeufer, Fujio, Kahooohanohano, Radcliffe)

c. Implementation of 90/10 and 80/20 Self-Funded PPO Medical Plans effective 1/1/2010

Overview by Mr. Fukuhara regarding the implementation of 90/10 and 80/20 self-funded PPO medical plans effective 1/1/2010 and HMSA's request dated September 3, 2009. Mr. Fukuhara stated Aon does not recommend eliminating any of the current plan options available to active employees as that will force enrollment changes on employees currently enrolled in those plans. Discussion held by Trustees, benefits consultant, and HMSA regarding that in discussion with the benefits consultant, the vendors chose the plans and the purpose was to keep minimum confusion. Mr. Rod Tam from HMSA stated at the time they chose 80/20, understanding the cost was going to be less and majority of the members would end up in the 80/20 plan. HMSA did not think the default was going to be the 90/10 plan. Discussion held by Trustees, benefits consultant and HMSA regarding if the Board was to approve to switch the role and default to the 90/10 plan. Mr. Williams stated his recommendation was distributed and with regard to the specific HMSA proposal to administer both plans, he opposes both on policy and operational grounds. With regard to switching the role, Mr. Williams does not have a recommendation. The Trustees should base their decision on what is best for the participants not what is best for the administrators. The administrators are contracted to do their job. Discussion held by Trustees, staff and benefits consultant regarding rates for plans if reversed. Mr. Williams stated all the calculations are the same but the exact numbers are not the same due to differences in administrative fees. Discussion held by Trustees, staff and benefits consultant regarding the reasons for defaulting to the 90/10 plan. Mr. Williams stated HMSA, as a courtesy, was asked first because they had the greater number and HMA did not complain.

MOTION was made for the Board to reject the request by HMSA in their letter of September 3, 2009 to eliminate the HMSA administered HMO and HDHP medical plans to administer both the EUTF 90/10 (current) plan and

the EUTF 80/20 (new) plan and defaulting to current administrator. (Radcliffe/Shiraki) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

Discussion held by Trustees and staff regarding what most people would choose, the 80/20 or the 90/10 plan. Mr. Williams stated there is no history, the staff has been contacted regularly by people who wanted a lower cost option but he cannot translate that into whether it is 20%, 50% or 80%. In HSTA's letter it mentions that approximately 25% chose the higher cost option. HSTA had approximately 2,900 that moved to HMSA which was the higher cost option because they already moved everyone into the lower cost option and had a reaction to that. Most people stayed in the lower cost option. He expects a significant amount to change but does not know how many will do so. Discussion held by Trustees and staff regarding that most people would want cost savings and it would not matter who the carrier is. This would not affect the retirees but actives would be concerned. Mr. Fukuhara stated that he believes if HMSA would administer the 80/20 plan more people would enroll with them as the administrator versus HMA as administrator. The majority of the people would be interested in a lower cost plan if administered by HMSA. Although the Board is not involved in how much the employer contributes, based on past history, the plan with the most enrollment becomes the plan on which 60% is applied. So there is a possibility if the highest enrollment is the 80/20 plan then next plan year, the employer contribution would be based on the lower cost 80/20 plan versus the 90/10 plan. It is not an issue now but something for the Board to consider. Mr. Lawrence Nishihara stated that since the EUTF started we have never had open enrollment when more than 10,000 people changed plans. There would be approximately 25,000 people defaulted and it will be very large and that will kill us. The EUTF is trying to implement a new system and it will two to three months to get up to speed. The EUTF needs to think of what is good for the membership.

MOTION was made for the Board to approve to change the last decision by the Board so that HMSA will administer the 90/10 (current) plan and HMA will administer the 80/20 plan. (Shiraki/Fujio) After discussion by the Trustees, the motion failed. (Employer Trustees-2 YES Annis, Shiraki, 2 NO Boyer, Laderta/Employee-Beneficiary Trustees-1 YES Fujio, 3 NO Daeufer, Kahoohanohano, Radcliffe)

- d. HIPAA Breach Notification Interim Final Rule
Overview by Mr. Fukuhara regarding the HIPAA breach notification interim final rule.

e. Performance Guarantees

Trustee Radcliffe stated he wants to make a clear statement that he does not know of anyone else that rates all of their vendors all of the time and gets written reports like this a quarterly basis. Ratings for eight vendors in almost 13 different areas and in almost every area there are outstanding compliance of performance guarantees across the board. When there is an exception to that the exception really stands out and very notable. Virtually all of the vendors are operating at peak performance and he commends those who are able to keep up the standards. It is a pretty good report. Overview by Mr. Fukuhara regarding the performance guarantees.

f. Fully-Insured Active Plan Benefits and Rate Effective 1/1/2010 through 6/30/2010

This item will be addressed in Executive Session.

g. Self-Funded Plans IBNR and Utilization Reports

Overview by Mr. Kindy regarding the self-funded plans IBNR and utilization reports (see Consultant's report). Aon recommends Board approval of the IBNR valuation including the 5% margin as of 6/30/2009, which is \$43,328,000. Mr. Williams summarized the normal procedures the Board uses for approving the IBNR including a 5% margin. Mr. Williams explained that the EUTF does not have the financial reports yet but if the Board looks ahead to what has been discussed for a couple of meetings, the unrestricted net assets have dwindled to less than \$2 million. There is an offset, if the IBNR goes up then the unrestricted assets go down. The EUTF is at a place where if the IBNR goes up \$2 million it will pretty much wipe out the unrestricted assets and he would hate to see it get into negative territory. The administrator's recommendation at this time is to approve the full IBNR amount of \$41,739,000 without the 5% margin. That would keep it pretty close to what is has been and the EUTF would still be in the black on the balance sheet. Mr. Williams stated his understanding is that the 5% margin is a reserve for extra assurance that the EUTF would not need any more than that. The actual amount of \$41 million would be sufficient and Mr. Kindy can comment on that. Discussion held by Trustees, staff and benefits consultant regarding the premiums/rates for July and August and savings from informedRx. Mr. Fukuhara stated savings from informedRx would be approximately \$400,000 per month. Mr. Williams stated savings would be \$1.2 million for three months.

Discussion held by Trustees, staff and benefits consultant regarding totals being consistent until the IBNR is factored in and how much the Board can rely on the IBNR. Mr. Kindy stated the methodology used for the IBNR

consists of two months of run outs. If it is the June estimate, we are already utilizing claims paid in July and August that were incurred prior to June. So there are two months of run outs that tells them about 85% to 95% of the story. Mr. Kindy stated Aon is confident with the IBNR that they are giving but understand that it is volatile because of methodology Aon is using. Discussion held by Trustees and benefits consultant if the Board should be concerned when they hear about losing \$8 million. Mr. Kindy stated sure, if that increase in the IBNR is driven because of increased usage and costs. If it is a situation where the carriers were not processing claims consistently or at their usual speed that month, then there is not much to be concerned. If it is just a slow down in claims payment so there is a backlog building up, people are still incurring claiming at the same rate. Chair Kahooohanohano stated it is a timing issue.

MOTION was made for the Board to approve the IBNR in the amount of \$41,739,000 without the 5% margin as recommended by the Administrator as of June 30, 2009. (Daeufer/Radcliffe) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

Recess at 10:35 and reconvened at 10:45 a.m.

h. Self-Funded Active Plan Rates Effective 1/1/2010

Overview by Mr. Kindy regarding the self-funded active plan rates effective 1/1/2010. Discussion held by Trustees, staff and benefits consultant regarding the trend analysis and the summary of rate impact to the actives.

Mr. Williams stated he wants to be clear on what it is going up from. Rates are going up from the present rates that are in effect, the so called extended rates everything that is in place up to December 31, 2009. Mr. Kindy stated yes. Mr. Williams stated if there was a 23% increase and then 8.9% increase, then the total for that, from the previous year to now, would be 32%.

Mr. Kindy stated roughly, yes. Discussion held by Trustees, staff and benefits consultant regarding raising the rates by 23% effective July 2009 and Aon is recommending to raise the rates another 13.6% for January 2010. Mr. Kindy stated for HMA 90/10 particularly, yes. Trustee Shiraki stated the EUTF has an 80/20 plan and asked how Aon come up with that. Mr. Kindy stated the relative impact is off of the entire enrolled population's past claims utilization. Discussion held by Trustees, staff and benefits consultant regarding if the Board does not approve the active rates today. Mr. Williams stated if the Board does not approve the active rates, the EUTF has approved rates through December and it would mean, depending what the Board does for the retirees, if the Board were to approve the retirees and not the actives, then the open enrollment that we do in November would not be for the actives. Then the Board would be faced into extending through January and February until the

Board makes permanent decisions. If the Board does that then the revenue would be the same as it is and the EUTF could be faced with a deficit. The EUTF staff would be faced with continuing calls for the open enrollment from people that feel they are under a hardship and they have not been offered that option to get lower premiums. Trustee Shiraki stated the question asked is what would happen if the rate increase were not approved today. Mr. Kindy stated essentially everything that is below the 7% to 13% increase, whatever percentage of the rates that represents as an aggregate dollar that is how much Aon is projected that would be underfunded. It is essentially zero right now, it will begin to eat into the IBNR. Trustee Shiraki asked how much per month would the EUTF lose. Discussion held by Trustees, staff, benefits consultant and member of the public regarding Aon's methodology of rates. Mr. Kindy stated he estimates it to be a loss of \$2.7 million per month.

Chair Kahooohanohano expressed his concern that the longer the Board delays making a decision the more information will be factored in and the national trend would be going up. Next month the Board may be faced with looking at different premiums. Mr. Kindy stated he agrees and with what Trustee Radcliffe stated earlier about hysteria, that if there is uncertainty in the system and not approving rates creates potential hysteria that could cause an increase in utilization. Trustee Daeufer stated it does not sound good to delay.

MOTION was made for the Board to approve the self-funded benefit plans and rates for active employees for the EUTF 90/10 PPO plan, the EUTF 80/20 PPO plan, the EUTF HMO plan, the EUTF HDHP plan, the EUTF supplemental plan and the EUTF prescription drug plan, including the EUTF administrative fees at the current amounts for the period January 1, 2010 through June 30, 2010 as presented by the consultant and to authorize the administrator to make minor adjustments, if necessary for administrative purposes. (Daeufer/Radcliffe) After discussion by the Trustees, the motion failed. (Employer Trustees-4 ABSTAIN Annis, Boyer, Laderta, Shiraki/Employee-Beneficiary Trustees-4 YES Daeufer, Fujio, Kahooohanohano, Radcliffe)

Trustee Radcliffe asked what just happened with this motion. Trustee Annis stated that they just received this information a few days ago, it is a tremendous increase and as Trustee Shiraki said that we thought we were set from the last increase and something to do with trying to absorb the hysteria. Trustee Shiraki would like to ask questions, off the record, to the benefits consultant. Trustee Annis stated that there are legitimate questions from the public that bear looking in to.

- i. Self-Funded Retiree Plan Rates Effective 1/1/2010
Overview by Mr. Kindy regarding the self-funded retiree plan rates effective 1/1/2010. Trustee Radcliffe stated rates are still under the retiree caps.

Trustee Shiraki stated it is time to look at benefits. Trustee Radcliffe asked the reduction in benefits for retirees would serve what health purpose?

MOTION was made for the Board to approve the self-funded benefits plans and rates for retirees for the EUTF 90/10 PPO plans, and the EUTF prescription drug plan, for both Medicare and non-Medicare, including EUTF administrative fees at the current amounts for the period January 1, 2010 through December 31, 2010 as presented by the consultant and to authorize the administrator to make minor adjustments, if necessary for administrative purposes. (Fujio/Radcliffe) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

E. Financial Report as of July 31, 2009

Overview by Ms. Tonaki regarding the financial report as of July 31, 2009 (see financial reports). Ms. Tonaki reported that the cash at the end of July was high because the State delayed their year end contribution to the end of July.

F. Carrier's Reports

1. HDS
Written report submitted.
2. HMSA
No written report submitted.
3. HMA
Written report submitted.
4. informedRx (NMHC)
Written report submitted.
5. Kaiser
Written report submitted.
6. Royal State Insurance
No written report submitted.
7. Standard Insurance
Written report submitted. Ms. Kahalewai introduced her colleague, Ms. Leslie Huffman.
8. VSP
No written report submitted.

IV. UNFINISHED BUSINESS

A. Self-Funded Plans Rates and Benefits for 2010 Plan Year

This item was addressed during the Consultant's report.

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 Revision
There being no objections by the Trustees, this item will be deferred to the end of the agenda, pending actions by the Board that could impact open enrollment.
 - D. Administrator Recruitment Process
This item will be addressed in Executive Session.
- V. NEW BUSINESS
- A. Molokai Drug Exemption
This item was addressed during the Consultant's report.
 - B. IBNR 6/30/09
This item was addressed during the Consultant's report.
 - C. Revisions to Plan Administered by HMSA and HMA
This item was addressed during the Consultant's report.
 - D. Prescription Drug Program – Clinical Changes for Medicare Retirees Effective January 1, 2010
This item was addressed during the Consultant's report.
 - E. Formulary Changes for Medicare Retirees Effective January 1, 2010.
This item was addressed during the Consultant's report.
 - F. Performance Guarantees – 2nd Qtr 2009 and Annual
This item was addressed during the Consultant's report.
- VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES
- A. Complaints/Concerns from Employee-Beneficiaries Regarding informedRx and Changes to Prescription Drug Program
Letters addressed to the Board, along with corresponding responses from informedRx, have been distributed to the Trustees.

Ms. Laurie Hirohata presented her written letter regarding concerns about the hidden costs with informedRx plan. Mr. Williams explained procedures for responding to letters. If it is just amending policy it is up to the Board. If it is about service, the administrator will be referring this letter to the carrier and a response will be presented at the next Board meeting from informedRx. [Trustee Ching arrived at 11:30 a.m.]

Mr. DeGray Vanderbilt presented his written testimony regarding Molokai Drugs.
- VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE
- A. October 28, 2009 – Regular Board meeting at 9:00 a.m.

Chair Kahooohanohano stated that this meeting will be recessed and will reconvene on Tuesday, October 6, 2009 at 10:00 a.m. in the EUTF conference room.

VIII. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 11:43 a.m. for the reasons stated on the agenda. (Laderta/Ching) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

Executive Session adjourned at 12:29 p.m.

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

1. Approval of Fully-Insured Plan Rates and Benefits (Kaiser, Royal State, ChiroPlan, HDS, VSP, Standard) for Actives.

Documents Distributed:

1. Draft Board Minutes for 7/15/09. (16 pages)
2. Draft Board Minutes for 8/26/09. (19 pages)
3. Memorandum to BOT from Administrator regarding September Administrator Report dated 9/23/09. (5 pages)
4. Memorandum to Administrator from Segal regarding Dependent Eligibility Verification – Status Report dated 9/21/09. (5 pages)
5. Memorandum to Administrator from DOH regarding Government Agency Worksite Wellness Plan Development dated 9/15/09. (5 pages)
6. EUTF/DOH Worksite Wellness Survey Results, September 2009. (27 pages)
7. Memorandum to BOT from DCAB regarding the Hawaii Worksite Wellness Plan dated 9/18/09. (6 pages)
8. Letter from UH to Administrator regarding the Hawaii Worksite Wellness Plan dated 9/15/09. (1 page)
9. Letter from DOE to Administrator regarding the Hawaii Worksite Wellness Plan dated 9/11/09. (1 page)
10. Letter from HGEA to Administrator dated 9/4/09 and Response from Administrator dated 9/9/09 regarding the Hawaii Worksite Wellness Plan. (2 pages)
11. Letter from JUD to Administrator regarding the Hawaii Worksite Wellness Plan dated 9/4/09. (2 pages)
12. Letter from County of Hawaii to Administrator regarding the Hawaii Worksite Wellness Plan dated 9/1/09. (5 pages)
13. EUTF Self Funded Plans Rate Setting for Actives and Retirees dated 9/30/09. (13 pages)
14. Letter to BOT from Aon Consulting regarding September 2009 Benefit Consultant Report dated 9/23/09. (4 pages)
15. EUTF FY10 Timeline dated 9/23/09. (1 page)
16. informedRx Formulary Changes for Medicare Retirees Effective 1/1/2010-CMS Mandated. (2 pages)
17. informedRx Treatment for RSV Infections. (4 pages)

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

September 30, 2009 Minutes

PAGE 14

18. informedRx, Letter from Mark Adkison to Administrator dated 9/8/09. (2 pages)
19. Letter from HMSA to Administrator regarding 90/10 and 80/20 Plans dated 9/3/09. (2 pages)
20. Letter from HMA to BOT regarding 90/10 and 80/20 Plans dated 9/11/09. (2 pages)
21. EUTF Performance Summary Reports dated 9/23/09. (2 pages)
22. Letter from Aon to Administrator regarding EUTF 6/30/09 Reserve Estimates dated 9/23/09. (3 pages)
23. EUTF Utilization Reports 7/1/08-6/30/09 dated 9/30/09. (32 pages)
24. Memorandum to BOT from Aon regarding Self-Funded Active Rates for 1/1/10-6/30/10 dated 9/23/09. (3 pages)
25. Memorandum to BOT from Aon regarding Self-Funded PPO Retiree Rates for 1/1/10-12/31/10 dated 8/19/09 and attachments dated 9/23/09. (3 pages)
26. EUTF Statement of Net Assets (Unaudited) dated 9/22/09. (1 page)
27. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 1 Month Ended 7/31/09 (Unaudited) dated 9/21/09. (1 page)
28. EUTF Statement of Cash Flows 1 Month Ended 7/31/09 (Unaudited) dated 9/22/09. (1 page)
29. Letter from Molokai Drugs to Chair Kahooanohano and Board of Trustees Regarding Molokai Drugs dated 9/16/09 (18 pages)
30. Memorandum to BOT from Administrator regarding HMSA Requests to Administer both 80/20 and 90/10 Plans dated 9/29/09. (2 pages)
31. Letter to BOT from HSTA regarding HMA Administering Plan for HSTA dated 9/22/09. (1 page)
32. Letter from Representative Tokioka regarding concerns about the mail order program dated 9/15/09. (1 page)
33. Letters Regarding the Mandatory Mail Order Program.
34. Pacific Business News Article “New drug plan puts pressure on small Hawaii pharmacies” dated 9/4/09. (3 pages)
35. Star Bulletin Article “Unhealthy lifestyles raise cost of health care” dated 9/2/09. (2 pages)
36. PR-inside.com Article “Bosses Can Refuse to Hire the Obese—Not Unlawful, and It Can Slash Costs” dated 9/2/09. (2 pages)
37. The Maui News Article “Local complaint alleges new mail-order drug plan lacking” dated 8/20/09. (2 pages)
38. Letter to BOT from Laurie Hirohata regarding concerns about the hidden costs with the infoRx plan dated 9/30/09. (3 pages)
39. Testimony of DeGray Vanderbilt regarding Molokai Drugs dated 9/30/09. (3 pages)

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
RECONVENED – Tuesday, October 6, 2009

TRUSTEES PRESENT

Mr. George Kahooohanohano, Chairperson	Mr. Darwin Ching
Mr. Guy Fujio, Vice Chairperson	Dr. Carl Daeufer
Mr. Stanley Shiraki, Secretary-Treasurer	Ms. Elizabeth Ho
Ms. Barbara Annis	Mr. John Radcliffe
Mr. Ron Boyer	

TRUSTEES ABSENT

Ms. Marie Laderta

ATTORNEY

Mr. Russell Suzuki, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator	Mr. Mark Fukuhara, Consultant
Mr. Lawrence Nishihara	Ms. Joni Tamayo-Wilson, Consultant
Ms. Maria Quartero	
Ms. Kathleen Shiroma	
Ms. Donna Tonaki	

OTHERS PRESENT

Mr. Tracy Ban, B&F	Ms. Doreen Kuroda, DHRD
Ms. Nikki Bassett, informedRx (NMHC)	Ms. Norma Lau, HMA
Ms. Sandra Benevides, Kaiser Permanente	Mr. Rod Tam, HMSA
Ms. Monica Engle, VSP	Ms. Jennifer Tobin, C&C-Human Resources
Ms. Venus Gabuyo, Royal State	Ms. Valerie Trechter, Kaiser Permanente
Ms. Vanelle Hirayasu, HMA	Ms. Sharon Urada, ATPA
Ms. Bonny Kahalewai, Standard Insurance	Ms. Tracyn Wong, C&C, Hnl

I. CALL TO ORDER

The regular meeting of the Board of Trustees was reconvened at 10:03 a.m. by Trustee George Kahooohanohano, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, October 6, 2009.

III. OTHER REPORTS

D. Benefits Consultant

1. September Report

h. Self-Funded Active Plan Rates Effective 1/1/2010

Overview by Mr. Fukuhara regarding the supplemental information requested by the Board for self-funded active plan rates effective 1/1/2010.

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

September 30, 2009 Minutes

PAGE 16

Discussion held by Trustees and benefits consultant regarding the lower rate increase. Mr. Fukuhara stated the overall rates increase for January 1 is 9%, 2% is savings delayed for reference based pricing for January 1 and mandatory mail is October 1. Mr. Fukuhara continued overview of the overall rate increase recommended-9% (page 2). Discussion held by Trustees and benefits consultant regarding the 9% increase. Trustee Annis asked can the EUTF hold on to this because we are not doing too well on the projections. Mr. Fukuhara stated if the Board would hold the rates to what they are now, Mr. Kindy calculated it is projected to be a \$2.7 million loss per month. For six months, it would be about a \$16 million loss. The Board has sufficient cash set aside for IBNR because of that loss. The Board will then face an even bigger increase on July 1. Trustee Annis stated if the usage continues to be higher than what we have seen in the past, the Board would have no way of knowing. Any increase whatsoever, she would like as good as can be expected basis for making that increase. If it is in question it might make sense to hold off for a little while if it would not be devastating and lead to the plan running out of funds. Trustee Radcliffe asked what does the Board want to do and is it the decision of the management Trustees that they do not have enough information to make a decision today. Trustee Shiraki asked what is the position of the employee members. Trustee Radcliffe stated they are at a point where it is fish or cut bait, the alternative is bad stuff or chaos. The Board could do nothing for awhile which would cause more chaos. It has not gone down from the time the Board has been fooling with this since last November. When the management picks a number they can let the employee Trustees know. Trustee Ho stated that employees that she represents are looking at furloughs and pay cuts. Trustee Ho cannot see members paying an increase. She has been receiving calls that they are dropping their health benefits because they cannot afford it. Trustee Ho stated her position is no increase. Trustee Radcliffe stated before a motion is made, he would like to see what the management Trustees want to do. Trustee Shiraki stated the management position at this time understands where Trustee Ho is coming from and have the same concerns. Management Trustees also have a big concern regarding the letter received from the County of Hawaii talking about their budget. Discussion held by Trustees regarding status quo and still being able to hold open enrollment in November. Chair Kahoohanohano stated if the Board takes status quo there will be no open enrollment. Mr. Williams stated the EUTF cannot have active employees open enrollment until the Board sets some rates for January 1. Choices employees are making would be effective January 1. The Board only approved rates through December 31 and those rates do not include the 80/20 plan. This week is the drop dead for November open enrollment. The EUTF is already working on the retirees because those approvals were made. It would be impossible to do open enrollment in November if the EUTF does not have rates. It is not only an administrative issue; Trustee Ho explained that PCP presents one of the biggest impacts even

for people who want to drop their plans.

MOTION was made for the Board to approve the Aon present rates for the 90/10 plan and the 80/20 plan based on the same financial rates the Board heard now. (Shiraki/Ching) [***see below**]

Mr. Fukuhara stated, in terms of expediting the decision making process, there are a couple of options related to that motion. Assuming the Board wants to keep overall rates about where they are now and assuming people currently enrolled in plans would want to stay where they are, there are a couple of ways: (1) keep the current HMSA rates for the current 90/10 plan for HMSA, which would become the rates for the 90/10 plan under HMA. Everybody not completing a form would have the same current rates; and direct Aon to make the HMSA 80/20 rates at approximately 3.4% lower; or (2) have the current HMSA rates for 90/10 be the newer rates for HMSA 80/20, coming out a little higher on the HMA 90/10 which would be approximately 3.4% higher. Mr. Williams stated as he understands Trustee Shiraki's motion, the first rates that Mr. Fukuhara described would be consistent with what he heard in the motion. The first way would keep the present 90/10 rates for most of the people the same. Mr. Williams is not saying one is better than the other, he is just trying to interpret. Mr. Fukuhara stated that for either one that he just described that the Board can direct them to calculate the rates and would not require them to come back to show the rates. Mr. Williams stated that if the Board approves it that way, then the Board can delegate the arithmetic to the administrator and benefits consultant. Trustee Radcliffe asked if we do this, what effect would this have on the various parties on the motions that was made in the past months and August. Mr. Fukuhara stated it would not change because we would still have HMA as the 90/10 plan and HMSA the 80/20 plan. The current HMSA rates for 90/10 would become HMA rates for 90/10. Anybody who is currently in HMSA and wants to maintain the 90/10 must move to HMA. Trustee Daeufer asked what the impact would be for the EUTF balance sheet. Mr. Fukuhara stated it would be a loss of approximately \$2.7 million a month, assuming the most recent utilization continues. This amount is projection for January. Mr. Fukuhara stated right now it is a small deficit which should improve due to mandatory mail effective October 1 and changes the Board approved to informedRx contract for next month. Discussion held by Trustees, staff and benefits consultant that people can make choices and change plans. Mr. Williams also stated the other thing mentioned that without open enrollment people are unable to drop PCP.

***There being no objections by any Trustee, the previous motion was revised as follows:**

MOTION was made for the Board to approve the first option to maintain the HMSA rate for the 90/10 plan and to put on the 80/20 plan for 3.4% less. (Shiraki/Annis) 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 HMO plan, the EUTF HDHP plan, the EUTF supplemental plan and the EUTF prescription drug plan, including EUTF administrative fees at the current amounts for the period January 1, 2010 through June 30, 2010 as presented by the consultant and to authorize the administrator to make minor adjustments, if necessary for administrative purposes. (Ho/Shiraki) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Mr. Williams clarified that the EUTF will publish the rates and the Board does not need to have a follow-up meeting to look at the details of the rates.

- VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES
Ms. Jennifer Tobin asked when the rates would be published. Mr. Williams stated now that decisions have been made, the EUTF will finalize the rates and they will be published as soon as they are verified.

VIII. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 10:34 a.m. for the reasons stated on the agenda. (Ho/Fujio) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Executive Session adjourned at 10:49 p.m.

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

1. Approved request to fill position to submit to Governor.
2. Approved minimum qualifications and B&F personnel to receive applications.

- 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 October 28, 2009.

Documents Distributed:

1. EUTF Self Funded Plans Rate Setting, Actives: 1/1/10-6/30/10, Supplemental Information dated 10/6/09. (4 pages)
2. Letter to BOT from County of Hawaii Regarding Increasing the Rates for Actives dated 10/6/09. (2 pages)