

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, October 10, 2012

TRUSTEES PRESENT

Mr. Dean Hirata, Chairperson
Ms. Barbara Krieg, Vice Chairperson
Ms. Linda Currivan Musto, Secretary-Treasurer
Ms. Audrey Hidano (arrived 10:15 am)

Ms. Karolyn Mossman
Ms. Celeste Nip
Mr. Luis Salaveria

TRUSTEES ABSENT

Ms. Loretta Fuddy
Mr. Clifford Uwaine

ATTORNEY

Ms. Diane Erickson, Deputy Attorney General
Mr. Kyle Chang, Deputy Attorney General

EUTF STAFF

Ms. Barbara Coriell, Administrator
Ms. Sandra Yahiro, Assistant Administrator
Ms. Maria Quartero
Ms. Bonny Kahalewai

Mr. Tom Morrison, Benefits Consultant
Ms. Kathleen Shiroma
Ms. Donna Tonaki
Ms. Nicole Wong

OTHERS PRESENT

Ms. Irene Bayudan, VSP
Ms. Sandra Benevides, CVS Caremark
Mr. Christian Fern, HMSA
Ms. Elaine Fujiwara, HDS
Mr. Mark Fukuhara, ABC, LLC
Ms. Wendy Hamada, Kaiser Permanente
Ms. Keiko Hiraoka, Lilly

Ms. Lauri Hunter, CVS/SilverScript
Ms. Mae Kishimoto, HSTA-R
Mr. Tony Malone, HMSA
Ms. Lynne Miura, Royal State
Mr. James Palakiko, HGEA Retiree
Mr. Jarnail Sekhon, B&F
Ms. Brenda Shiroma, Benefit Plan Solutions

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:06 a.m. by Trustee Dean Hirata, Chairperson, in the EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, October 10, 2012.

Chairperson Hirata recommends that the Board approve to amend the agenda to move agenda item II.A.1. Death Validation Project into Executive Session and correct agenda item III.B from FY2013-14 to "FY2014-15" Biennium Budget.

MOTION was made for the Board to approve to amend the agenda to move agenda item II.A.1. Death Validation Project into Executive Session and correct agenda item III.B from FY2013-14 to "FY2014-15" Biennium Budget. (Salaveria/Krieg) The motion passed unanimously. (Employer Trustee-3/Employee-Beneficiary Trustees-3)

II. OLD BUSINESS

A. Update on Two Medicare Part B Projects

1. Death Validation Project

Ms. Sandra Yahiro reported that this project is still on-going and working with the Department of Health. This agenda item has been moved to Executive Session.

2. Retirees Not Enrolled in Medicare Part B

Ms. Yahiro reported that recommendations on the appeals will be addressed in Executive Session.

III. NEW BUSINESS

A. Legislative Proposals

Ms. Barbara Coriell stated that the first two legislative proposals (BUF-01, BUF-02) are in the works and will not be discussed today. Overview by Ms. Coriell regarding legislative proposal (BUF-15). The purpose as stated on the justification sheet are: (1) to set a standard Medicare B premium reimbursement amount for all retirees and dependents at the standard or most common Medicare B premium amount; and (2) to require enrollment in Medicare B only for eligibility for the EUTF retiree medical and prescription drug plans. The EUTF would not be pursuing members if they were enrolled in only dental, vision or life. Ms. Coriell explained the "Medicare Reimbursements Enrollments for 3rd Quarter 2012 (July 2012-September 2012)" chart taken on October 5, 2012. Discussion held by Trustees and staff whether the proposed legislation would be a change to current retiree benefits. At one time it was all one amount. Medicare Part B changed to an income adjusted premium in 2007. Trustee Mossman stated she will not agree with the first part of the legislative proposal (BUF-15) but agrees with the second part of the proposed legislation. Trustee Currivan Musto also objects to this legislative proposal. Trustee Currivan Musto explained her reasons: (1) that she and her husband pay high premiums in addition to her husband paying additional premiums which is over and above because he is still employed; and (2) that there is a social contract which is 100% and now we are backing up to a percent. Discussion held by Trustees and staff how a member gets reimbursed for the higher tier premium, member needs to send proof to the EUTF to get reimbursed the actual amount paid, and if domestic partner is defined in the statutes.

MOTION was made for the Board to approve the concept of number 4 only and not support the other parts of the legislative proposal (BUF-15). (Mossman/Currivan Musto)

Discussion by Trustees, staff, and deputy attorney general that approving this legislative proposal is pre-mature because the Attorney General's office has not reviewed yet and would like to hear from the Attorney General before approving this motion, timing issue in submitting legislative proposals, to support the concept of number 4 only, and if the deputy attorney sees any problems with approving the concept of number 4. Mr. Kyle Chang stated the concern he sees at this time, is that

the term domestic partner is not in Chapter 87A and only in the EUTF Administrative Rules and would reword that. The paragraph itself looks okay. Discussion held by Trustees, staff and benefits consultant regarding the background on the implementation of the Medicare Part B requirement and the difficulty it would be to get retirees to enroll. Retirees had to enroll in all benefit plans or none at all. Discussion held by Trustees, staff and benefits consultant that it would save the employer money if the retiree did not need medical coverage and only the dental or vision plan.

After discussion by the Trustees, Trustee Mossman withdrew her Motion and Trustee Currivan Musto withdrew her second to the Motion. Trustee Mossman stated that when the research is done, she is requesting whether or not going forward prospectively if it interferes with collective bargaining benefits. Discussion held by Trustees and staff regarding procedures because the Board did not vote on this issue, if it comes back as part of the Administrative package would the Board vote on it and if the Board voted against it would it not be part of the Administrative package.

B. FY 2014-15 Biennium Budget

Overview by Ms. Coriell regarding the FY 2014-15 biennium budget explaining in detail items 20-31 that the Administrator has added to the budget. Discussion held by Trustees and staff regarding the procedures for submittal and approval of the FY 2014-15 biennium budget. In the past the Board approved the EUTF budget. The Board agrees that it is their fiduciary responsibility to approve the EUTF budget before the Administrator submits the Biennium Budget request to Budget & Finance (B&F). Discussion held by Trustees and staff regarding if vacancies are filled does the EUTF need all of the additional office space that was occupied by informedRx. Chair Hirata stated the EUTF staff will need to be clear in their justification because the request will be scrutinized by B&F. Discussion held by Trustees and staff on how the administrator calculated the amounts requested for consultants, the EUTF needs to have clear communications to the public, outside legal services that have expertise in the areas, such as, Consolidated Omnibus Budget Reconciliation Act (COBRA) and the Affordable Care Act (ACA) that would work hand in hand with the attorney general's office, having wellness programs would benefit members, and costs that can be returned to the EUTF due to audits [Trustee Hidano arrived at 10:15 a.m.]. Trustee Hidano asked if Mr. Tom Morrison submitted the estimated costs of audits in writing and he replied yes. Overview by Mr. Morrison regarding the requirements of HIPAA security risk assessment. The U.S. Department of Labor may come in any time to audit the EUTF. Discussion held by Trustees, staff, and benefits consultant regarding the timeline of audits. The administrator will submit a timeline in the second quarter of 2013. Discussion held by Trustees and staff regarding the estimated costs of a new phone system, the EUTF being proactive in requested additional maintenance hours for Benefits Administration System (BAS), the requested additional three (3) positions, items to be covered by EUTF surplus, net budget request less than projected Administrative Fee revenue, and how items can be

expedited and in the budget now. Ms. Donna Tonaki stated it has been done in the past and explained the procedure to request an increase the ceiling to the legislature. Trustee Mossman stated she has mentioned multiple times that it is hard to request additional positions when current vacancies are not filled. Discussion held by Trustees and staff regarding staffing at the EUTF and if there is a pattern why people are leaving and if the EUTF staff is able to submit a request to increase the ceiling. There being no objections by the Trustees, the administrator will prioritize and submit a list of items that should be expedited for Board review at the next Board meeting. Discussion held by Trustees and staff regarding additional information for the additional office space requested. The administrator will submit information on actual additional office space that is needed.

MOTION was made for the Board to approve the FY 2014-2015 biennium budget as presented by the Administrator. (Krieg/Mossman) The motion passed. (Employer Trustees-3, Trustee Salaveria-Abstain/Employee-Beneficiary Trustees-3)

C. Unallotted Reserves and Cyber Security Reserve

Overview by Ms. Barbara Coriell regarding EUTF surplus, unallotted reserves and cyber security reserves. The administrator is recommending the Board make a policy decision to set aside reserves for the following: (1) Cyber Risk Reserve; (2) FY14-FY15 Additional Expense; (3) ACA Reinsurance Costs; and (4) Self Funded Rx Claim Stabilization Reserve. Overview by Mr. Tom Morrison regarding the ACA reinsurance costs/fees. Discussion held by Trustees, staff, and benefits consultant who will need to pay and the EUTF is not the employer. Mr. Morrison stated the reinsurance fees are assessed to plans unlike employers. The medical plans are assessed the reinsurance but HMSA and Kaiser may pass it to the EUTF as an additional assessment from the federal government. It has a life for the first three (3) years of the start of the ACA. Discussion held by Trustees, staff, and benefits consultant that at some point the EUTF may want it built into the rates. Discussion held by Trustees, staff, and benefits consultant if these proposed reserves are actually reserve funds. Mr. Morrison stated it is up to the auditors. Ms. Tonaki will need to speak to the auditors if they will admit those as restricted funds. Ms. Tonaki stated the EUTF probably may not be able to list as designated reserves. Chair Hirata stated that the Board would just be making a policy to set aside a portion of these reserves.

MOTION was made for the Board to approve to establish a policy to set aside reserves for the following: (1) Cyber Risk Reserve; (2) FY14-FY15 Additional Expense; (3) ACA Reinsurance Costs; and (4) Self Funded Rx Claim Stabilization Reserve. (Krieg/Currivan Musto) The motion passed. (Employer Trustees-4, Trustee Salaveria-Abstain/Employee-Beneficiary Trustees-3)

- D. EUTF Administrative Fee – Establish Biannual Review and Revision Date
Overview by Ms. Coriell regarding establishing a policy to review the EUTF administrative fee biannually in conjunction with the budget. Discussion held by Trustees and staff that the Board sets the administrative fees, and why fees were not raised for the past four (4) years. Ms. Donna Tonaki explained in the past, the administrative fees were reviewed every July, for the actives, when rates were decreased/increased based on the budget passed by the legislature. Discussion held by Trustees, staff, and benefits consultant that the retiree rates would lag six months and if administrative fees should be reviewed annually or biannual.

MOTION was made for the Board to approve to review the administrative fees annually in conjunction with the rate changes. (Hidano/Krieg) The motion failed. (Employer Trustees-4 YES-Hidano, Hirata, Krieg, Salaveria/Employee-Beneficiary Trustees-2 YES-Currivan Musto, Nip; 1 NO-Mossman)

Discussion held by Trustees, staff, and benefits consultant regarding Trustee Mossman's concern if the Board can review administrative fees at any time why is a policy needed. The Board could move to change it when the budget is approved.

MOTION was made for the Board to approve the Administrative Fees will be reviewed annually but not later than February of each year when the active plan rates are established at a minimum. (Hidano/Currivan Musto) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

IV. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE

- A. October 23, 2012, 9:00 a.m. – Regular Board Meeting
Chair Hirata announced the next meeting date and time.

V. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 11:28 a.m. for the reasons stated on the agenda. (Krieg/Currivan Musto) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

Executive Session adjourned at 12:45 p.m.

VI. RETIREES NOT ENROLLED IN MEDICARE PART B APPEALS

Ms. Sandra Yahiro reported that the Investigative Committee recommended and the Board approved that the retirees not enrolled in Medicare Part B Appeals be heard by categories. Since this was an Investigative Committee a decision cannot be made today and will be made at the next Board meeting.

Chairperson Hirata reported that the Board has taken the following actions in Executive Session.

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1. Approval of Contract Award for RFP No. 12-001 Insurance Broker Services to Arthur J. Gallagher Risk Services, Inc.
2. Approval of appeal for dental claim.

VII. ADJOURNMENT

There being no objections, the meeting adjourned at 12:49 p.m.

Respectfully submitted,

/s/

Linda Currivan Musto, Secretary-Treasurer

APPROVED on October 23, 2012.

Documents Distributed: None