

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, October 25, 2005

TRUSTEES PRESENT

Mr. John Radcliffe, Chairperson	Ms. Marie Laderta
Mr. Gerald Machida, Vice-Chairperson	Ms. Joan Lewis (arrived at 9:10 am)
Ms. Katherine Thomason, Secretary-Treasurer	Mr. Mark Recktenwald
Mr. George Kahooahanohano	

TRUSTEES ABSENT

Mr. Nelson Befitel
Mr. Willard Miyake
Mr. Stanley Shiraki

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator	Mr. John Garner, Consultant
Ms. Maria Quartero	Ms. Rebecca Delfino, Consultant
Ms. Kathleen Shiroma	Ms. Donna Tonaki

OTHERS PRESENT

Ms. Lynette Arakawa, HDS	Ms. Ruth Kim, HSTA-R
Ms. Sandra Benevides, Kaiser Permanente	Mr. Paul Matsuo, HGEA-R
Mr. Andre Carter, Aetna	Mr. Maurice Morita, HSTA
Ms. Alana Deppe-Mariota, Kaiser Permanente	Mr. Glenn Nakamoto, DOE
Ms. Kelly Dill, Aetna	Ms. Gertrude Nitta, Retiree
Ms. Monica Engle, VSP	Mr. Joel Reed, Aetna
Ms. Venus Gabuyo, MBAH	Mr. Rod Tam, HMSA
Mr. Rick Jackson, MDX Hawaii	Mr. George Yamamoto

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:07 a.m. by Trustee John Radcliffe, Chairperson, in Conference Room 405, Leiopapa A Kamehameha Building, 235 S. Beretania Street, Honolulu, Hawaii, on Tuesday, October 25, 2005.

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for February 18, 2004 and September 28, 2005.

There being no objections by the Trustees, the minutes for February 18, 2004 and September 28, 2005 were approved as circulated.

MOTION was made to amend the agenda to add HGEA's letter dated October 24, 2005 for discussion under New Business. (Kahooahanohano/Machida) The motion passed

unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

Trustee Lewis arrived at 9:10 a.m.

III. OTHER REPORTS

A. Administrator

1. October Update (see written report)

a. PeopleSoft Support

Ms. Shiroma reported that the RFP to obtain qualified PeopleSoft services was issued on October 21, 2005 and posted on the SPO and EUTF website. A pre-proposal meeting will be held on November 1, 2005, and the deadline for submission of proposals is November 21, 2005.

b. Alternatives to the PeopleSoft System

Overview by Ms. Shiroma regarding the status of the RFP for qualified services to prepare the RFP for a new benefits administration system (see Administrator's report).

c. Premium Holiday

Ms. Tonaki reported that notices were sent to employers, employee-organizations and DPOs informing them of the premium holiday including the Board's decision to waive premiums for the MBAH chiropractic benefit. The EUTF is currently testing the implementation of the new rates on the PeopleSoft system.

Mr. Williams reported that a press release was issued in June 2005 when the Board approved the premium holiday. Because some time has elapsed since that press release, and to re-emphasize the Board's positive action, a new draft press release was prepared for review by the Trustees and for their approval at the next Board meeting. There being no objections, the EUTF staff will e-mail the draft press release to the Trustees for review.

d. Implementation of HSTA VEBA

Mr. Williams reported that a meeting with HSTA VEBA representatives is scheduled for Thursday morning to discuss the draft MOU. A letter from HSTA responding to the Director of Finance was distributed to the Trustees.

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

Mr. Williams reported that the MOU was finalized with Budget and Finance and a signed copy of the MOU was included in the Board packet. The EUTF now has access to the CMS files. Notices of creditable coverage were mailed to retirees, the hotline has been set-up and the EUTF has been receiving calls.

f. EUTF Facilities – Option to Lease Additional Space

Overview by Mr. Williams regarding the option to lease additional space (see Administrator's report). The EUTF has not received a signed lease yet. Trustee Thomason will inquire on the status of the signed final lease.

g. PEHF Refund Project

Mr. Williams stated that Mr. Lawrence Nishihara would submit a final report at the next Board meeting.

h. Health Policy Forum

Summary by Mr. Williams regarding the Health Policy Forum (see Administrator's report).

i. GASB Work Group

Mr. Williams reported that DAGS has formed a GASB work group. Mr. Williams, Ms. Tonaki, and Mr. Aburano are participants of the GASB work group. Trustees received an invitation to participate in a videoconference on November 17, 2005 that will be very informative. Trustee Thomason stated that videoconference sites will be opened on every island and a schedule will be enclosed with the invitation.

B. DEPUTY ATTORNEY GENERAL: None

C. BENEFITS CONSULTANT

October Report (see written report)

1. Medicare Part D

This item will be discussed in Executive Session.

2. Benefit Plan Changes

Mr. Garner reported that carriers were asked to submit a letter to the EUTF confirming that they will provide advance notice when making benefit plan changes. To date, written confirmations were received from all carriers, except for one that was verbal and it will be submitted in writing.

3. Self-Funding

There being no objections by the Trustees, this item is postponed until the next Board meeting.

4. 2006-2007 Rates

This item to be discussed in Executive Session.

D. Financial Report as of August 31, 2005

Overview by Ms. Tonaki regarding the financial report as of August 31, 2005 (see written reports).

Ms. Tonaki reported that Grant Thornton is completing the EUTF audit for 2005 and will do a presentation at the next Board meeting.

E. Carrier's Reports

1. HDS

Written report submitted. Ms. Arakawa reported that the HDS website is enhanced and members are now able to review their explanation of benefits after services are rendered.

2. HMSA

Written report submitted. Mr. Tam clarified that the refund is for Lupron, which was covered under the medical plan for the health fund. The \$22,000 refund was for medical claims under the EUTF and health fund.

3. Kaiser Permanente

Written report submitted.

4. MBAH

Written report submitted.

5. Royal State Insurance

Written report submitted.

6. VPS

Written report submitted. Ms. Engle reported that VSP donated \$15 million toward relief from Hurricane Katrina.

7. Aetna

No items to report. Mr. Reed introduced his colleagues, Kelly Dill and Andre Carter.

IV. UNFINISHED BUSINESS

A. Legislative Proposals – Approval of Legislative Proposals for 2006 Session of Legislature

Overview by Chair Radcliffe regarding Trustee Miyake's request to submit a legislative proposal to amend Act 245 (removing retirees from any VEBAs).

Discussion held by Trustees and retirees regarding the legislative proposal to amend Act 245. Mr. Williams stated that Garner Consulting had gone on record in last year's deliberation that all the retirees should be kept together. Mr. Williams said that there has been a false belief over the last two or three years that somehow by forcing the unions to be responsible for retirees, the unions would be taking more risk, which is really not true. The retiree rates are under the caps and the employer pays for all the premiums. If the unions were responsible for the retirees and if the premiums were to go over the cap, the retirees would pay, not the unions.

Trustee Lewis disclosed that she would abstain from deliberations and voting due to a direct conflict of interest because she is also a VEBA Trustee. Discussion held by Trustees regarding a concern that the Board did not take a position earlier regarding the VEBA bill and that this may be an issue that could be addressed later this year.

MOTION was made for the Board to approve to submit the legislative proposal to amend Act 245 as presented (removing retirees from any VEBAs). (Machida/Kahoohanohano) After discussion, the motion failed. (Employer Trustees-3, NO-Recktenwald, Laderta, Thomason/Employee-Beneficiary Trustees-3, YES-Kahoohanohano, Machida, Radcliffe, Abstain-Lewis)

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

Chair Radcliffe reported the motion that the EUTF initiate and seek a declaratory ruling regarding the status of HB 1548 (Act 250) was made and seconded at the September Board meeting and then consideration was postponed until this meeting. Trustee Miyake was unable to attend this meeting to present his views. Mr. Aburano summarized the concerns that he presented to the Trustees at the September Board meeting: (1) the AG has already given an opinion to the Governor that this bill was properly vetoed and is not the law, and the advice that the AG's office would give the Trustees would not be any different; (2) the problem with bringing a declaratory judgment action now is that the courts do not like to hear actions which they consider to be premature, i.e., before an actual controversy has arisen; (3) another issue would be whom would we sue, it would not be the Governor since the EUTF would have the same position on HB 1548 as the Governor, the legislature is almost absolutely immune from lawsuits, even declaratory judgment actions, and, therefore, the only possible parties would be the unions who may argue that the EUTF's lawsuit is premature and seek attorney fees if the action is dismissed by the courts. Mr. Aburano stated that it is not prudent at this point to bring a declaratory judgment action; it is better to wait until an actual controversy does develop. Trustee Lewis inquired if she is able to vote on this issue. Mr. Williams stated that no official notice has been issued by HSTA that they are initiating any VEBA and, thus, she is not in any different position than anyone else.

After discussion, the motion failed. (Employer Trustees-3, NO-Recktenwald, Laderta, Thomason/Employee-Beneficiary Trustees-4, NO-Kahoohanohano, Lewis, Machida, Radcliffe)

V. NEW BUSINESS

A. Kaiser Supplemental Agreement

Overview by Mr. Garner regarding the Kaiser Supplemental Agreement.

MOTION was made for the Board to approve the Kaiser Supplemental Agreement as presented. (Kahoohanohano/Laderta) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

B. Medicare Part D

This item will be discussed in Executive Session.

- C. Premium Holiday – Press Release
Discussed under the Administrator's report.
- D. 2006-07 Rates
This item will be discussed in Executive Session.
- E. Administrator Evaluation and Contract
This item will be discussed in Executive Session.
- F. HGEA's Letter
Chair Radcliffe summarized HSTA's request that the EUTF authorize HMSA to use health care experience data that is in their possession relating to HGEA collective bargaining unit employee-beneficiaries. The purpose is for HMSA to provide premium rate quotes to HGEA to allow HGEA to assess the feasibility of establishing a VEBA for their members. Discussion held by Trustees, consultant, staff, and HMSA regarding confidential information under HIPAA rules and policies.

MOTION was made for the Board to authorize HMSA to utilize information regarding HGEA bargaining units to provide premium rate quotations to HGEA, with the caveat that HMSA was not to disclose such information to HGEA. (Lewis/Machida) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

- VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES
Trustee Lewis inquired on behalf of a number of employee-beneficiaries regarding the appeal process. Mr. Garner explained that each carrier has their own appeal process and claimants would go through that appeal process before it would come to the EUTF. The EUTF is not governed by the ERISA rules on claim appeals, but the carriers generally follow that process. Trustee Lewis stated that the complainant is a new hire transferring into another unit/department. Mr. Williams explained that the employee would go through their DPO and, if not satisfied, the employee would write to the EUTF. The Administrator and Assistant Administrator would review the employee's claim according to the EUTF Administrative Rules and, if they denied the claim, the employee could appeal to the Board of Trustees. Mr. Garner clarified that the carriers would review issues of what is or is not covered while the EUTF reviews eligibility decisions. Mr. Aburano stated that there is a formal appeal process in EUTF Administrative Rule 2.04.

Mr. George Yamamoto stated that the two letters sent to the retirees regarding Medicare Part D are not any different and assumed that the EUTF would evaluate and make a recommendation. He inquired if the EUTF would take a position. Mr. Williams explained that the creditable coverage notice was sent out on behalf of the Department of Budget and Finance. Mr. Williams stated that the creditable coverage notice does not

say, 'don't sign up.' But it very clearly says that the EUTF plan is as good as or is better than Medicare Part D, and says that, if you do sign up, you would have to pay the Medicare Part D premiums yourself. The creditable coverage notice says, if you are in the Kaiser plan and you sign up, you would lose your Kaiser coverage. Mr. Williams added that the EUTF did its best to reassure people that their coverage is fine and they do not need to do anything. The EUTF was advised that it is best not to say that this is what you should do, because, if it turns out that any particular individual would have been better off doing something else, they could take action.

VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Administrative Committee meeting is scheduled for Tuesday, November 29, 2005, 2:00 p.m., CFT-room 1935.

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

VIII. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 10:00 a.m. for the reasons stated on the agenda. (Machida/) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

MOTION was made to move out of Executive Session. (Kahooohanohano/Machida) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

The chair reported that the Board has taken the following action in Executive Session:

1. Approval of September 28, 2005 Executive Session minutes.
2. Approved proposed rates for mainland Kaiser Medicare Part D plans and authorized enrollment of affected retirees.

MOTION was made to recess at 12:16 p.m. and reconvene on Tuesday, November 1, 2005 at 12:30 p.m. (Machida/Laderta) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

Documents Distributed:

1. Draft Minutes for February 18, 2004. (8 pages)
2. Draft Minutes for September 28, 2005. (10 pages)
3. Memorandum to BOT from Administrator regarding October Administrator Report dated 10/17/05. (25 pages)
4. Letter to BOT from Garner Consulting regarding October Benefit Consultant Report dated 10/17/05. (2 pages)
5. EUTF Statement of Net Assets (Unaudited) dated 10/07/05. (1 page)
6. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison Month Ended 8/31/05 (Unaudited) dated 10/07/05. (1 page)

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7. EUTF Statement of Cash Flows Month ended 8/31/05 dated 10/07/05. (1 page)
8. Memorandum to BOT from Administrator regarding Legislative Proposals dated 9/21/05. (23 pages)
9. OpenLine September 2005. (2 pages)
10. Approved Minutes for March 17, 2004. (8 pages)
11. Approved Minutes for August 24, 2005. (14 pages)

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
RECONVENED ON Tuesday, November 1, 2005

TRUSTEES PRESENT

Mr. John Radcliffe, Chairperson

Mr. Gerald Machida, Vice-Chairperson

Ms. Katherine Thomason, Secretary-Treasurer

Mr. Nelson Befitel

Ms. Marie Laderta

Ms. Joan Lewis

Mr. Mark Recktenwald

Mr. Stanley Shiraki

TRUSTEES ABSENT

Mr. George Kahooanohano

Mr. Willard Miyake

ATTORNEY: None

I. CALL TO ORDER

The regular meeting of the Board of Trustees was reconvened at 12:35 p.m. by Trustee John Radcliffe, Chairperson, in Conference Room 1520, City Financial Tower, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, November 1, 2005.

MOTION was made to go into Executive Session at 12:35 p.m. for the reasons stated on the agenda. (Machida/Thomason) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

There being no objections by the Trustees, Executive Session adjourned at 1:50 p.m.

The chair reported that the Trustees approved terms of a two-year contract extension for the Administrator.

IX. ADJOURNMENT

There being no objections by the Trustees, the regular meeting was adjourned at 1:52 p.m.

Respectfully submitted,

/s/

Katherine Thomason, Secretary-Treasurer

APPROVED on November 30, 2005 as amended.