

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, October 28, 2009

TRUSTEES PRESENT

Mr. George Kahooahano, Chairperson	Mr. Ron Boyer
Mr. Guy Fujio, Vice Chairperson	Dr. Carl Daeufer
Mr. Stanley Shiraki, Secretary-Treasurer	Ms. Marie Laderta
Ms. Barbara Annis	Mr. John Radcliffe

TRUSTEES ABSENT

Mr. Darwin Ching
Ms. Elizabeth Ho

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

Ms. Lynette Arakawa, HDS	Ms. Wanda Kimura, B&F
Ms. Nikki Bassett, informedRx (NMHC)	Ms. Norma Lau, HMA
Ms. Irene Bayudan, VSP	Ms. Suzanne Marinelli, LRB/{PAR
Ms. Sandra Benevides, Kaiser Permanente	Mr. Derek Mizuno, HGEA
Ms. Venus Gabuyo, Royal State	Ms. Gertrude Nitta, HGEA-R
Ms. Susan Goya, HGEA-R	Ms. Kimberly Svetin, Molokai Drugs, Inc.
Ms. Vanelle Hirayasu, HMA	Ms. Jennifer Tobin, C&C-Human Resources
Ms. Wilma Iwasaki, DHRD	Ms. Valerie Trechter, Kaiser Permanente
Ms. Jean Kashiwaeda, DHRD	Ms. Sharon Urada, ATPA
Mr. Jack Katahira, HGEA-R	Ms. Lori Lynn Yasutake, B&F
Ms. Bonny Kahalewai, Standard Insurance	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:01 a.m. by Trustee George Kahooahano, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, October 28, 2009.

II. APPROVAL OF MINUTES

The minutes of the meeting on September 30, 2009 were reviewed.

There being no objections by the Trustees, the minutes of September 30, 2009 were approved as circulated.

III. OTHER REPORTS

A. Administrator

1. October 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). Ms. Shiroma acknowledged and thanked Ms. Rosy Spraker from Gartner, Inc. and Mr. John Weldon from BST for their support on the implementation of the Vitech system.

c. Request to Amend Vitech Contract

Ms. Shiroma reported that the Governor approved the request to amend the Vitech contract. Ms. Shiroma thanked Trustee Annis for her support and help in getting the request through the approval process (see Administrator's report).

d. IT Support by Gartner, Inc. – SPO Approved Vendor

Ms. Shiroma reported that Ms. Rosy Spraker will be presenting the seventh project oversight and risk assessment report later in the meeting (see Administrator's report).

e. New HIPAA Interim Final Rules

Ms. Shiroma stated, based on the Deputy Attorney General's advice, the EUTF memorandum addressing compliance with the new rules is being retracted and will be substituted with the Attorney General's memorandum. Mr. Williams stated that there are certain legal matters that make the Attorney General's memorandum confidential. Mr. Russell Suzuki will explain further in Executive Session. The Trustees were asked to return the EUTF report to Maria Quartero, EUTF Secretary (see Administrator's report).

f. Update on Implementation of Dependent Eligibility Audit

Overview by Mr. Williams regarding the update on implementation of dependent eligibility audit (see Administrator's and Segal's report). Mr. Williams stated that as of today he has an update from Segal that the EUTF had 1,920 dependents voluntarily dropped. That represents 2.6% of the dependents. 375 families moved from a family or two-party plan to a self only coverage which represents under 1% of the total.

g. Member Services Branch Operations Update

Overview by Ms. Nicole Wong regarding the workload and staffing issues

(see Administrator's report). Discussion held by Trustees and staff regarding whether it is prudent to notify the public about the workload issues and that the EUTF is not going to be able to provide or produce results in a timely fashion rather than suffer in silence or hear people criticize the EUTF. People in the legislature, the Governor, public, and press should know that the EUTF is doing all that they can and will not be able to get the work done. Further discussion by the Trustees and staff regarding the status on staffing and possible placements due to the RIF. Mr. Williams stated that the EUTF submitted the request to fill positions and B&F has taken no action. Trustees expressed concerns besides releasing information that the EUTF should continue to pursue alternatives for hiring or schedule a meeting with B&F. Mr. Williams stated that any alternatives will still need the Governor's and other approvals and B&F is not processing any requests to hire at this time. Mr. Williams stated that if the Board wants to inform the public of the situation, he can prepare a memorandum and send it to the Governor, Mayors, Legislative leaders, Department Personnel Officers (DPO), and Employee Organizations. Mr. Williams has been giving the message informally through the DPO sessions. Discussion held by Trustees and staff regarding Open Enrollment notifications to the employee-beneficiaries and deductions and double deductions that would further upset employees. Trustee Radcliffe stated that his interest in sending a memorandum is to protect the EUTF. He fully expects that the EUTF will be investigated by the Senate and the House, implying that the Board and staff are incompetent, and questions will be asked. One of the questions will be if the EUTF knew that it would be unable to adequately perform and why did the EUTF not tell anyone. Discussion held by Trustees and staff that the public should be alerted. There being no objections by the Trustees, the administrator will prepare a memorandum to apprise everyone of the EUTF's workload issues subject to review by the Board. Mr. Fukuhara stated that there may be a way that Aon can assist if the Board wants to. In the RFP, there is an option for implementation assistance for \$22,000.00. The EUTF could get temporary help but they would need to be trained and also would not have a lot of knowledge about benefits. Discussion held by Trustees, staff and benefits consultant regarding Aon's contract. Mr. Williams stated that the option needs to be approved by the Board.

MOTION was made for the Board to authorize the administrator to take the necessary action to exercise the option for implementation assistance by Aon for \$22,000.00 subject to review of the justification by Trustees Annis, Laderta, and Radcliffe. (Radcliffe/Fujio) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

Discussion held by Trustees, staff and member of the public regarding

concerns that if a press release is issued that the Governor should be notified first so she is not blindsided. Mr. Williams stated that it will not be a press release but a memorandum apprising the stakeholders of the EUTF workload issues.

- h. Update on Implementation of Prescription Drugs Claim Audit
Overview by Mr. Williams regarding the update to implement the prescription drugs claim audit (see Administrator's report). Trustee Annis stated she did have a meeting with Ms. Georgina Kawamura and that she will be approving the request. Trustee Annis will follow-up on the status of the request.

Mr. Williams explained to the Board that his authorization by the Board to extend the date of the implementation of the prescription drug audit is only until November 1, 2009. Mr. Williams recommends that the Board extend the authorization so the Administrator is authorized to start the project after the approval of the Governor and not put a certain date.

MOTION was made for the Board to authorize the administrator to extend the start date of the prescription drug claims audit and the timeline pending approval of the contract by the Governor. (Daeufer/Radcliffe) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

- i. Employer Contributions for Various Bargaining Unit Employees
Overview by Mr. Williams regarding the employer contributions for various Bargaining Unit employees (see Administrator's report). Mr. Williams stated the EUTF is still waiting and it is getting urgent because next week the EUTF starts informational session for open enrollment. The number one question is going to be how much will be deducted from their payroll. Trustee Laderta stated that she was informed by Ms. Georgina Kawamura that the information was given to Mr. Ralph Schultz and she will be following up with Budget and Finance.
- j. FY 2011 Proposed Supplemental Budget
Overview by Ms. Tonaki regarding the FY 2011 proposed supplemental budget (see Administrator's report and Memorandum to Board dated 10/21/09). Discussion held by Trustees and staff regarding whether the cost of the investment consultant should be allotted among employers, since the State has not made any contributions. Mr. Williams stated that expenses do not get allocated. The allocation is done by the administrative fees that the EUTF collects which are in proportion to the enrollment by the various employers. On the expenditure side, the EUTF does not differentiate between employers. The EUTF is going to explore whether we can take some of these expenses and charge it as an investment expense. If the EUTF could do that

then it would avoid the need for appropriation and it would be charged to employers with funds invested. In the meantime, this proposal needs to be submitted.

MOTION was made for the Board to approve the proposed supplemental budget and authorize the administrator to take the necessary actions to seek approval by the Administration and Legislature. (Daefer/Radcliffe) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

Ms. Tonaki reported that the EUTF received preliminary instructions for the upcoming supplemental budget from B&F to cut the EUTF budget by 13.85% which is approximately \$189,000.00. Originally the legislature approved approximately \$4.4 million. In addition, the EUTF does have estimated savings from furloughs of approximately \$125,000.00. The difference that the EUTF has to find is \$64,000.00. The staff is working on the details with B&F. Mr. Williams stated he has a real concern with this directive because it is unilateral, arbitrary and has no relationship to the EUTF's financial situation. He is not asking the Board to take any action today. He is asking Ms. Tonaki and staff to do whatever calculation they can and if they have to make this adjustment, this is where they would make it. Mr. Williams will put it on the agenda for the December 9th Board meeting for the Board to decide.

k. FY09 Financial Audit

Ms. Tonaki reported that Grant Thornton finished their on-site work and a draft audit report will be presented at the December Board meeting (see Administrator's report).

l. Accounting Issues

Overview by Ms. Tonaki regarding the accounting issues (see Administrator's report).

m. 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). Mr. Williams thanked Trustees Boyer and Fujio for assisting with this RFP.

n. Legislative Proposals

Overview by Mr. Williams regarding legislative proposals (see Administrator's report). Chair Kahooohanohano asked if any Trustees are interested in submitting any legislative proposals. No one responded.

o. Department of Health Initiative on Worksite Wellness

Overview by Mr. Williams regarding the worksite wellness program (see

Administrator's report and presentation by DOH).

p. Furloughs

Overview by Mr. Williams regarding furloughs (see Administrator's report). Mr. Williams stated that after the HGEA settlement and the directive to do two days a month furloughs, the three excluded exempt employees that were on three days a month furloughs got adjusted back to two days a month furloughs.

q. Recruitment for Vacant Positions

Overview by Mr. Williams regarding the recruitment for vacant positions (see Administrator's report). Mr. Williams stated as Ms. Wong mentioned earlier, the EUTF has not submitted requests to fill all of the vacancies but has submitted only four about six months ago and has not received any action on those. It takes quite a bit of effort on the management staff to prepare these documents. If the EUTF is not getting any action on the four positions, Mr. Williams is not going to force the management staff to submit requests for all other vacancies knowing that it is stalled. Mr. Williams pointed this out because Trustees may be told that the EUTF did not even request to have those positions filled. If the EUTF had any hope that it could be filled, the EUTF would be right there with the paperwork.

B. Project Oversight and Risk Management Assessment – Gartner, Inc.

Presentation by Ms. Rosy Spraker regarding the project oversight and risk management assessment (see "Benefits Administration System Project Assessment Report 7" submitted 10/23/09).

C. Deputy Attorney General

Mr. Suzuki reported that the Everson appeal is scheduled for November 19, 2009 at 9:00 a.m. Mark Bennett will be doing the Everson oral argument on behalf of the State of Hawaii.

D. Benefits Consultant

1. October Report

a. Updated Timeline

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

b. Active and Retiree Reference Guide and Newsletters/Open Enrollment

Overview by Mr. Fukuhara regarding the active and retiree reference guide and newsletters/open enrollment (see Consultant's report).

- c. AETNA Final Accounting
Overview by Mr. Fukuhara regarding the AETNA Final Accounting (see Consultant's report).

- d. informedRx
 - (1) Updated Report
Overview by Mr. Fukuhara regarding the updated report (see Consultant's report).

 - (2) RSV Prophylaxis
Overview by Mr. Fukuhara regarding the RSV Prophylaxis (see Consultant's report).

 - (3) Oral Oncology
Overview by Mr. Fukuhara regarding oral oncology (see Consultant's report).

 - (4) EGWP Contract Changes
Overview by Mr. Fukuhara regarding EGWP contract changes (see Consultant's report).

- e. Self-Funded Active Plan Rates Effective 7/1/2010 through 6/30/2011
Overview by Mr. Fukuhara regarding the self-funded active plan rates effective 7/1/2010 through 6/30/2011 (see Consultant's report). Mr. Fukuhara reminded the Board that they did not approve Aon's recommendation last month to increase rates 8.9% for 1/1/2010 – 6/30/2010 period. Mr. Fukuhara reported that Aon conducted an analysis and summarized it with a total 26.2% increase effective 7/1/2010 (see Consultant's report). Mr. Fukuhara stated that if the Board is looking for alternatives, Aon would like to know what percentage change the Board is looking for and then at the December Board meeting they would present different scenarios of benefit changes. Chair Kahooohanohano stated that the Trustees may submit any suggestions to Mr. Fukuhara so they can come up with different scenarios. Trustee Shiraki stated that Aon should come back with their own scenarios based on their principles starting with zero increases up to the maximum needed. Mr. Fukuhara stated that Aon could come back with a zero percent increase and half way in between. Trustee Shiraki asked that if Aon has recommendations that they explain what the impact would be for those recommendations. Chair Kahooohanohano stated that this is open ended and that the Trustees should inform Mr. Fukuhara if they have any other suggestions.

- f. Fully-Insured Active Plan Benefits and Rates Effective 7/1/2010 through 6/30/2011
This item will be addressed in Executive Session

E. Financial Report as of August 31, 2009

Overview by Ms. Tonaki regarding the financial report as of August 31, 2009 (see financial reports). Mr. Williams linked this back to the Consultant's report. Aon looks at it as a reduction of the IBNR. The EUTF puts in the financials the full IBNR because that is what the Board approved and that results in the negative on unrestricted net assets. If the Board is looking at it on a cash basis (where they are going to get the money) it would be the IBNR. Mr. Williams stated the EUTF thinks there is fluctuation because of the prescription drugs. The cost is lower now and when the October report is reviewed the EUTF may get above water. This is not speaking about the long term into January where the rate increase is not approved, this is just until December. Mr. Tonaki stated the EUTF did a preliminary analysis just for September self-funded plans and the losses are not quite as much. It is \$220,000 for all the self-funded plans and getting a little better. There was a decrease in claims and administrative expenses for informedRx.

F. Carrier's Reports

1. HDS
Written report submitted.
2. HMSA
No written report submitted. Mr. Tam reported that HMSA has been attending DPO sessions and getting feedback from these sessions, HMSA has decided to open the customer service line during open enrollments 24/7 from November 2- 30, 2009.
3. HMA
Written report submitted.
4. informedRx (NMHC)
Written report submitted.
5. Kaiser
No written report submitted.
6. Royal State Insurance
No written report submitted.
7. Standard Insurance
Written report submitted.
8. VSP
No written report submitted.

IV. UNFINISHED BUSINESS

A. Administrator Recruitment Process

This item will be addressed in Executive Session.

V. NEW BUSINESS

A. EUTF Legislative Proposals

This item was addressed during the Administrator's report. No action was taken by the Trustees.

B. Proposed FY 2011 Supplemental Budget Request

This item was addressed during the Administrator's report.

C. Extension of Start Date of Prescription Drug Claims Audit

This item was addressed during the Administrator's report.

D. Trustee Liability Insurance Renewals

Mr. Williams reported that the liability insurance policies will expire November 30, 2009. Aon is currently working on the renewals. Rather than having a Special meeting in November, if there are no objections, the administrator will sign an extension for 15 days. At the December 9th Board meeting, the renewals will be presented.

E. Vitech contract Issue

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. Suzanne Marinelli read and distributed her complaint to the Trustees. A copy of the complaint was given to Nikki Bassett of informedRx for follow-up.

Trustee Radcliffe stated that he submits that it is this kind of creditable testimony that the EUTF is going to hear from at the Legislature this winter. Trustee Radcliffe urged informedRx to understand what is happening here that there are going to be people like Ms. Marinelli that will show up in places that EUTF does not control and kick its "butt". If informedRx wants to avoid that, they better get on the stick.

Trustee Fujio asked if there is a contingency plan if it happens again to allow people that need medication to get it somewhere else even if they need to pay for it.

Ms. Nikki Bassett from informedRx stated there is an urgent override if the person calls the call center, it will allow person to go to a local pharmacy.

Mr. Kimberly Svetin inquired about the 14-day override. Ms. Bassett explained the procedures for the 14-day overrides and urgent overrides which are for 30 days. The 14-day override was implemented specifically for those who did not comply with the maintenance mail order program. Chair Kahoohanohano stated that there is the

stock up to do it but if the person keeps on failing to get into it, the timeframe goes down. Ms. Martinelli stated she appreciates the efforts that informedRx is making but one of issues is when they told her doctor to prescribe less. Chair Kahooohanohano stated that the Board is not going to get into this. There is a procedure and it is with the pharmacy and the doctor, not for the EUTF.

VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

- A. December 9, 2009 – Regular Board meeting at 9:00 a.m.

Mr. Williams stated that an Investment Committee meeting will be scheduled for November 23 or 24. Trustees may inform Maria when they are available.

VIII. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 10:38 a.m. for the reasons stated on the agenda. (Radcliffe/Daeufer) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

Executive Session adjourned at 11:24 a.m.

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

1. Approval of Executive Session Minutes for May 20, 2009.

IX. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 11:29 a.m.

Respectfully submitted,

/s/

Stanley Shiraki, Secretary-Treasurer

APPROVED on December 9, 2009.

Documents Distributed:

1. Draft Board Minutes for 9/30/09. (19 pages)
2. Memorandum to BOT from Administrator Regarding October Administrator Report dated 10/21/09. (5 pages)
3. Memorandum to OCB from Administrator Regarding Employer Contributions for EUTF Active Employee Benefit Plans, January 1, 2010 through June 30, 2010 (4 pages)
4. Memorandum to BOT from Administrator Regarding FY 2011 Supplemental Budget. (3 pages)

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5. EUTF Benefits Administration System Project Assessment Report 7 Summary Presentation for the Period 7/1/09-8/31/09 Submitted 10/23/09. (16 pages)
6. Memorandum to BOT from Aon Consulting regarding October 2009 Benefit Consultant Report dated 10/21/09. (3 pages)
7. EUTF FY10 Timeline dated 9/23/09. (1 page)
8. Ka Leo O EUTF Newsletter for Actives – 10/2009. (2 pages)
9. Ka Leo O EUTF Newsletter for Retirees – 10/2009. (2 pages)
10. informedRx EUTF Program Performance Report, 10/10/09. (3 pages)
11. Oral Oncology – Senate Bill 166. (4 pages)
12. EUTF Statement of Net Assets (Unaudited) dated 10/20/09. (1 page)
13. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 2 Months Ended 8/31/09 (Unaudited) dated 10/20/09. (1 page)
14. EUTF Statement of Cash Flows 2 Months Ended 8/31/09 (Unaudited) dated 10/20/09. (1 page)
15. Letter to Director of Finance from Administrator Regarding Projected Rate Increases for Actives and Retirees FY 2001-2015. (1 page)
16. Letter from Aon to Administrator Regarding EUTF Health Benefits Projected Funding Rate Increase 2011-2015 dated 9/30/09 and Received by the EUTF 10/6/09. (1 page)
17. Letter from City & County to Administrator Regarding Hawaii Worksite Wellness Survey dated 9/16/09. (2 pages)
18. Memorandum to DH/DPO/CPO/EO Regarding Dependent Eligibility Verification dated 10/1/09. (5 pages)
19. Memorandum to DH/DPO/CPO/EO Regarding Approval of EUTF Benefit Plans and Rates through 6/30/2010, EUTF Open Enrollment Period: 11/2-30/2009 dated 10/15/09. (7 pages)
20. Letter from Suzanne Marinelli to BOT Regarding Complaint about informedRx dated 10/28/09. (6 pages)