

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, December 11, 2012

TRUSTEES PRESENT

Mr. Dean Hirata, Chairperson	Ms. Audrey Hidano
Ms. Barbara Krieg, Vice Chairperson	Ms. Karolyn Mossman
Ms. Linda Currivan Musto, Secretary-Treasurer	Ms. Celeste Nip
Ms. Loretta Fuddy (arrived 9:12 am)	Mr. Clifford Uwaine (arrived 9:09 am)

TRUSTEES ABSENT

Mr. Luis Salaveria

ATTORNEY

Mr. Kyle Chang, Deputy Attorney General

EUTF STAFF

Ms. Barbara Coriell, Administrator	Mr. Tom Morrison, Benefits Consultant
Ms. Sandra Yahiro, Assistant Administrator	Ms. Kathleen Shiroma
Ms. Maria Quartero	Ms. Donna Tonaki
Ms. Bonny Kahalewai	Ms. Nicole Wong

OTHERS PRESENT

Ms. Sandra Benevides, CBS Caremark	Ms. Mae Kishimoto, HSTA-R
Ms. Heather Dinsmore, CVS Caremark	Ms. Doreen Kuroda, DHRD
Ms. Monica Engle, VSP	Mr. Tony Malone, HMSA
Mr. Christian Fern, HMSA	Ms. Lynne Miura, Royal State
Mr. Mark Fukuhara, ABC LLC	Mr. Kimo Palakiko, HGEA Retiree
Ms. Elaine Fujiwara, HDS	Mr. August Range, HFD Retiree
Mr. Galen Haneda, HMSA	Ms. Brenda Shiroma, Benefit Plan Solutions
Ms. Chris Hause, Kaiser Permanente	Mr. Pallav Tatapudi, CVS Caremark/SilverScript
Mr. Kevin Higa, Bank of Hawaii	Mr. Troy Tomita, Kaiser Permanente
Mr. John Hulihee, Bank of Hawaii	Mr. Vaughn Tokashiki, HSTA-R
Ms. Lauri Hunter, CVS/SilverScript	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:05 a.m. by Trustee Dean Hirata, Chairperson, in the EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, December 11, 2012.

II. MINUTES

A. August 28, 2012

The Board reviewed the draft minutes of August 28, 2012. The minutes will be amended as follows: (1) page 1, line 46, change "Park" to "Part"; (2) page 2, line 3, change "Park" to "Part"; (3) page 4, line 10, change "connecter" to "connector"; (4) page 9, line 27 delete "?"; and (5) page 9, lines 33-34, delete "31 and 32", add "\$3,132".

MOTION was made for the Board to approve the minutes of August 28, 2012 as amended. (Krieg/Currivan Musto) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

B. October 23, 2012

The minutes of October 23, 2012 are being reviewed by the Administrator and are not ready for the Board's review. [Trustee Uwaine arrived at 9:09 a.m.]

III. NEW BUSINESS

A. Administrative Committee to Review Administrator's Contract (expires January 31, 2013)

Chair Hirata requested for an Administrative Committee meeting to be convened before the Administrator's contract expires on January 31, 2013. [Trustee Fuddy arrived at 9:12 a.m.] Trustee Hidano expressed her concern that she has requested that an Administrative Committee meeting be held 3 times and only now during the holidays a meeting will need to be held. Discussion held by Trustees on how the Administrator's evaluation was held last year. The EUTF staff will poll when Administrative Committee members are available.

B. EUTF Insurance Policy Renewals

Presentation by Mr. William Sandkuhler, Executive Vice President of Arthur J. Gallagher regarding the proposed Fiduciary Liability, Crime Coverage, Public Officials Liability and Employment Practices Liability insurance policies (see "Proposal of Insurance" dated 12/4/12). Discussion held by Trustees, staff, and Mr. Sandkuhler regarding possible reasons for receiving only one (1) quote and risks. Mr. Sandkuhler stated the EUTF is a large class of business, most carriers would underwrite for health entities or smaller government entities. The problem could be that there is a big difference in the EUTF profile versus a small company or trading companies could be paying much higher premiums. Mr. Sandkuhler explained Gallagher's process when it seeks insurance premium quotes. Discussion held by Trustees regarding the waiver of recourse and the effective dates of coverage. Trustees will send their personal check of \$25.00 for the waiver recourse to the EUTF Secretary, Maria Quartero. Trustee Hidano expressed her concern of approving renewals at a late date without having enough time to review. Ms. Coriell stated that the renewals are needed; the EUTF will then review if the coverages are sufficient. Discussion held by Trustees and staff regarding proposed rates being similar to the current rates and market analysis that has been done.

MOTION was made for the Board to approve the Fiduciary Liability insurance policy and premium as presented and recommended by Mr. William Sandkuhler of Gallagher. (Mossman/Fuddy) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

Discussion held by Trustees and staff regarding the Crime Coverage insurance premiums.

MOTION was made for the Board to approve the Crime Coverage insurance policy and premium with the crime limit of \$5 million as presented and recommended by Mr. William Sandkuhler of Gallagher. (Krieg/Fuddy) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

MOTION was made for the Board to approve the Public Officials Liability and Employment Practices Liability insurance policy and premium, Option 4, as presented and recommended by Mr. William Sandkuhler of Gallagher. (Fuddy/Krieg) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

Further discussion held by Trustees, staff and insurance consultant regarding meeting with EUTF staff if the insurance coverage is meeting the needs of the EUTF and to also review the Cyber Liability coverage with the Administrator and Board which will be on the Board agenda at a later date. Mr. Sandkuhler stated Gallagher will do deconstructive closures of the EUTF.

C. Benefits Committee Report Plan Changes

Ms. Barbara Krieg reported that the Benefits Committee is recommending 4 (four) benefit plan changes. Ms. Barbara Coriell summarized why the EUTF needs to make changes to benefit plans. No changes are made to the major active plans or retiree plans. The goal is to revise the two plans that are under performing. Ms. Coriell summarized the “EUTF Active Plans – Premium and Claim Costs” dated 8/10/12” (see handout). Mr. Tom Morrison summarized the regulations for the Affordable Care Act (ACA) effective January 1, 2014. The employer must provide plans that meet specific criteria: (1) plans affordable as measured by the employee contribution as a percentage of the employee gross/household income, no more than 9.5%; and (2) plans provide access to a sufficiently generous design plan being provided to all employees. The later could be backed by plans currently offered.

1. Kaiser Basic Plan to Kaiser Standard Plan

Overview by Ms. Barbara Coriell regarding the Kaiser plan changes (see “EUTF 2013 Standard Plan Proposal” dated 11/7/12). Ms. Coriell stated the Kaiser Comprehensive plan stays the same. It is the Kaiser plan with the larger enrollment. Discussion held by Trustees, staff, benefits consultant, and Mr. Troy Tomita of Kaiser regarding the co-pays and the annual supplemental maximum of the EUTF plan comparison on page 6 and the example on page 11 of the Kaiser proposal. Mr. Morrison stated that plan examples are mandated by ACA regulations to be in a separate stand alone document and cannot be in reference guides. Discussion held by Trustees, staff, and benefits consultant that members will be given options to elect plans, out of pocket maximum, and trade-offs to the

plans. Mr. Troy Tomita of Kaiser explained the tiers for drugs on page 7 of the Kaiser proposal. Further discussion will be addressed in Executive Session.

2. HMSA High Deductible Health Plan to HMSA PPO Plan

Overview by Mr. Tom Morrison regarding the HMSA plan changes, option 3 (see “EUTF Benefit Plan Comparison”). Ms. Coriell explained co-pays and deductibles. Discussion held by Trustees, staff, and benefits consultant that the Benefits Committee was looking for affordability and plan design changes. Ms. Coriell stated that no major plans are affected but changes create plans that are more attractive. Discussion held by Trustees, staff, and benefits consultant that this Open Enrollment session will need to be educational to present the different options if adopted. Further discussion will be addressed in Executive Session.

3. HMSA HMO Rx Plan

Overview by Ms. Coriell regarding the history of the HMSA HMO Rx plan. The Administrator and Mr. Morrison recommend that the Board approve revising the HMSA HMO prescription drug plan to be consistent with all other EUTF prescription drug plan provisions. Discussion held by Trustees and staff that this does not affect the HSTA VB plans. Mr. Morrison stated if this is adopted by the Board, it would have a reducing effect on the drug component on the total HMO rates. It would have no administrative impact on the fees being charged for administering the plan by making this change with CVS Caremark. Discussion held by Trustees, staff, and benefits consultant regarding the drug rates and that the effective date for active would be July 1, 2013.

MOTION was made for the Board to approve revising the HMSA HMO prescription drug plan to be consistent with all other EUTF prescription drug plan provisions effective July 1, 2013 that does not affect the HSTA VB plan. (Fuddy/Uwaine) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

4. SilverScript EGWP Plan to EGWP Wrap Plan

Overview by Mr. Tom Morrison regarding the EGWP plan and the EGWP Wrap plan. Mr. Morrison stated that the impact to retirees is that there is no difference in their out-of-pocket if they are or are not under Medicare. It is the same co-payment for drugs. The CVS Caremark proposal, “State of Hawaii – EUTF Employer Group Waiver Plan Cost Comparison with and without Wrap” dated December 11, 2012 was distributed to the Trustees. Mr. Pallav Tatapudi of CVS Caremark stated there is a change on page 13, second line, under enrollment; the impact has been changed from “Neutral” to “Negative” due to two separate enrollments that the Administrator must oversee. Mr. Morrison confirmed that the visibility to the retirees is none and the impact is neutral, there is just additional work for the Trust. Discussion held by Trustees, staff, benefits consultant and Mr. Tatapudi that the differential for retirees that had the 50% off on the co-pay

was estimated at 15% of the population, the donut hole, co-pays, and educating retirees so they understand, and what the savings would be to the Trust Fund. Mr. Morrison stated page 10 of the report shows the estimated savings to the EUTF which is estimated at \$13 million in the first year, and it will be greater in the next year because it will be the full 12 months. Discussion held by Trustees, staff, and benefits consultant regarding the process, communication and notification to the members, that no open enrollment is needed, and that there will be more savings if the effective date is April 1, 2013 rather than at later date. Mr. Morrison stated that there will no changes to the fees that CVS Caremark is charging the EUTF even with the additional work that will need to be done.

MOTION was made for the Board to approve the EGWP Wrap plan as recommended by the benefits consultant. (Mossman/Fuddy) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

D. Status of State Directed Leave Without Pay for EUTF

Ms. Coriell summarized the history of the 5% reduction and that the Governor will approve the exemption for the EUTF and thanked Trustee Uwayne who in turn thanked the Governor and Director of Finance.

E. Active Employee Open Enrollment Dates

Ms. Coriell reported that the Active Employee Reference Guides will be re-written and training will be held for Departmental Personnel Officers (DPOs). The EUTF is recommending that the Active Open Enrollment be held from April 15, 2013 – May 10, 2013. Discussion held by Trustees and staff regarding the amount of time for the Active Open Enrollment period.

MOTION was made for the Board to approve the Active Open Enrollment period from April 15, 2013 – May 10, 2013. (Krieg/Currivan Musto) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

F. EUTF Annual Report

Overview by Ms. Coriell regarding the EUTF Annual report. The goal is on-line services. Trustees will e-mail comments and/or changes to the administrator in 10 days, by Friday, December 21, 2012. The EUTF staff will e-mail a copy of the EUTF Annual Report to the Trustees.

IV. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 10:50 a.m. for the reasons stated on the agenda. (Fuddy/Mossman) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

Executive Session adjourned at 12:10 p.m.

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

1. Approval to revise the Kaiser Basic Plan to a Kaiser Standard Plan effective 7/1/13.
2. Approval to revise the HMSA High Deductible Health Plan to a HMSA 75/25 PPO Plan effective 7/1/13.
3. Affirmed EUTF Administrator's decision to deny appeal to change enrollment date.

Due to lack of quorum, the meeting adjourned at 12:11 p.m.

Chairperson Hirata announced under agenda item 5.B.2.a. Prescription Drug Transition, that the EUTF is planning to have a management representative from CVS Caremark/SilverScript present at the next Board meeting to brief the Board on where we are on the issues, what issues are still pending and need to be fixed, how long is it going to take to fix/resolve these issues and what of kind of commitment do we have from CVS Caremark/SilverScript.

Due to lack of quorum, the following items are deferred until the next Board meeting.

V. REPORTS

A. Administrator

1. Biennium Budget Updates
2. EUTF Project Schedule: Review of 2012; Schedule for 2013
3. Information on Medicare Part B Reimbursements Via Paper Checks vs. Direct Deposit

B. EUTF Managers' Operational Reports

1. Member Services Branch (MSB)
 - a. Data Update
 - b. Staffing Level Update
2. Information Technology (IT)
 - a. Prescription Drug Transition – Active Employees and Non-Medicare Retirees
 - b. Prescription Drug Transition – Medicare Retirees
 - c. HGEA Favored Nation Refund Project
 - d. IT Position Vacancy
 - e. Enrollment Counts
3. Accounting
 - a. Bank of Hawaii
 - b. Financial Audit for FY 2012
 - c. Biennium Budget for FY 2014-2015
 - d. Personnel for Accounting
 - e. Financial Statement as of September 30, 2012
 - f. Base Monthly Contribution Effective January 1, 2013

C. Deputy Attorney General's Report

1. Legislative Proposal (BUF-15) Update

- D. Segal – Benefits Consultant Report
 - 1. Affordable Care Act Update
 - 2. Formulary Changes When CVS Became Pharmacy Benefit Manager
- E. Carrier Reports
 - 1. CVS Caremark
 - 2. SilverScript
 - 3. Hawaii Dental Service (HDS)
 - 4. Hawaii Medical Service Association (HMSA)
 - 5. Kaiser Health Foundation
 - 6. Royal State Insurance
 - 7. Vision Service Plan (VSP)

VI. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE

- A. January 22, 2013, 9:00 a.m. – Regular Board Meeting

VII. ADJOURNMENT

Due to lack of quorum, the meeting adjourned at 12:11 p.m.

Respectfully submitted,

/s/

Linda Currivan Musto, Secretary-Treasurer

APPROVED on January 29, 2013.

Documents Distributed:

- 1. Draft Board Minutes of August 28, 2012. (15 pages)
- 2. EUTF Proposal of Insurance dated 12/4/12. (127 pages)
- 3. Benefits Magazine Article on “Benefit Basic” beware of exceptions, November 2012. (1 page)
- 4. Memorandum to BOT from MSB Manager Regarding MSB Operations Report dated 12/4/12. (1 page)
- 5. Memorandum to BOT from IS Analyst Regarding December IT Operations Report dated 12/4/12. (9 pages)
- 6. Memorandum to BOT from Financial Management Officer Regarding Accounting Operations Report for 12/11/12 dated 12/4/12. (4 pages)
- 7. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2012 (Unaudited) for Current Month 9/30/12 dated 12/6/12. (2 pages)
- 8. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 3 Months Ended 9/30/12 (Unaudited) dated 12/6/12. (2 pages)
- 9. EUTF Statement of Cash Flows 3 Months Ended 9/30/12 (Unaudited) dated 12/6/12. (1 page)

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10. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2012 (Unaudited) for Current Month 8/31/12 dated 11/29/12. (2 pages)
11. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 2 Months Ended 8/31/12 (Unaudited) dated 11/28/12. (2 pages)
12. EUTF Statement of Cash Flows 2 Months Ended 8/31/12 (Unaudited) dated 12/7/12. (1 page)
13. Affordable Care Act Timeline dated 11/26/12 by The Segal Company. (2 pages)
14. Segal Capital Checkup dated 11/20/12. (3 pages)
15. EUTF Quarterly Report for 1/2012-9/2012 by HMSA dated 10/30/12 submitted by Segal. (14 pages)
16. EUTF Statement of Delegation of Authority Adopted 7/9/2002. (1 page)