

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, December 15, 2004

TRUSTEES PRESENT

Ms. Katherine Thomason, Chairperson	Ms. Joan Lewis
Ms. Kathleen Watanabe, Vice-Chairperson	Mr. Willard Miyake
Mr. Gerald Machida, Secretary-Treasurer	Mr. Mark Recktenwald
Mr. Nelson Befitel	Mr. Stanley Shiraki

TRUSTEES ABSENT

Mr. Dayton Nakanelua
Mr. John Radcliffe

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator	Mr. John Garner, Consultant
Mr. Lawrence Nishihara	Mr. Andy Keowen, Consultant
Ms. Maria Quartero	Ms. Kathleen Shiroma
Mr. Bert Nishihara	Ms. Donna Tonaki

OTHERS PRESENT

Ms. Lynette Arakawa, HDS	Mr. Maurice Morita, HSTA
Ms. Sandra Benevides, Kaiser Permanente	Mr. Michael Moss, HMSA
Ms. Brandy Ching, Kaiser Permanente	Mr. Glenn Nakamoto, DOE-Benefits
Ms. Monica Engle, VSP	Ms. Susan Pestana, HSTA-MBC
Ms. Elaine Fujiwara, HDS	Mr. Joel Reed, Aetna
Ms. Venice Gabuyo, MBAH	Mr. Peter Rodriguez, Hartford
Mr. Rick Jackson, MDX Hawaii	Mr. Rod Tam, HMSA
Ms. Ruth Kim, HSTA-R	Mr. George Yamamoto, HGEA-Retirees
Ms. Doreen Kuroda, DHRD	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 3:42 p.m. by Trustee Katherine Thomason, Chairperson, in Conference Room 405, Leiopapa A Kamehameha Building, 235 South Beretania Street, Honolulu, Hawaii, on Wednesday, December 15, 2004.

II. APPROVAL OF MINUTES

Review of minutes for August 25, 2004 and November 17, 2004.

Amendment to August 25, 2004 minutes: page 2, line 39-40 - add "The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)".

Amendments to November 17, 2004 minutes: page 6, line 32 – change Mr. Tonaki to Ms. Tonaki; page 7, line 4 - change activate to active and line 9 – change participant to participate.

MOTION was made to approve the minutes for August 25, 2004 and November 17, 2004 as amended. (Befitel/Shiraki) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

III. OTHER REPORTS

A. ADMINISTRATOR

Mr. Williams gave an overview regarding the December Administrator Report (see handout). Mr. Williams also reported that a memorandum dated November 24, 2004 from Ms. Catherine Rice of the Governor's office regarding Act 234, SLH 2004 was given to each Trustee for informational purposes only because the EUTF does not have bylaws, but may raise the question whether the Trustees may want to create bylaws and address the attendance issue.

B. DEPUTY ATTORNEY GENERAL: None

C. BENEFITS CONSULTANT

Mr. Garner reported:

1. Status of Annual Reports

All reports have now been received from the carriers and Garner Consulting is in the process of analyzing and summarizing the reports and will present a draft of Garner Consulting's annual report to the Administrative Committee next month.

2. Garner Consulting Bulletin - November 2004 (see handout)

D. Carrier's Reports

1. HDS (See New Business)

2. Kaiser Permanente (See New Business)

3. HMSA

Mr. Tam addressed issues from last month's report: 1) HMSA will be moving away from using social security numbers and that 400 EUTF members will be affected. New cards effective January 1, 2005 with an explanation letter will be mailed to the affected members by Thursday or Friday; and 2) Communication plan on topics that HMSA would like to present to the Board. Chair Thomason stated that she and the Administrator briefly discussed the offering of training classes for carriers and anyone that would want to make presentations regarding programs, new information, and updates for the Trustees. Information regarding training classes will be posted on the website. The Administrator may also coordinate with HMSA and other carriers directly regarding the scheduling of training classes.

4. Other Carriers: No report made.

E. Financial Report as of October 31, 2004

Ms. Tonaki gave an overview on the financial report as of October 31, 2004 (see handout). Correction on handout for Statement of Net Assets under October 31, 2004: Cash-General should be \$35,664,045 and Cash-Reserves should be \$36,582,814. Clarification on Revenues and Expenses Statement that the true daily operating revenues that includes the administrative fee of \$936,205 and interest income of \$228,880 is \$1,165,085 and the true daily operating expenses of \$769,202 minus carrier payments of \$319,746 is \$449,456. The excess of revenues over expenditures is \$715,629 (\$1,165,085 minus \$449,456). Discussion held by Trustees and staff regarding the true daily operating revenues and expenses. Ms. Tonaki also reported on the FY Biennium 2005-2007 budget that was submitted to the legislature. For FY 2006 the total EUTF budget was \$3,876,188 and for FY 2007 the total EUTF budget is \$3,598,838. The EUTF originally requested for 8 clerk positions, the final recommendation to the legislature is for 5 clerk positions (2 permanent and 3 temporary). The EUTF originally requested for 3 IT positions, the final recommendation to the legislature is for 1 position. Also recommended in the budget is the PeopleSoft upgrade for \$800,000 for FY 2006 and \$543,800 for FY 2007 and the Deputy Attorney General's legal services for \$70,500 for FY 2006 and FY 2007. Discussion held by Trustees and staff regarding the clerk and IT positions that were denied and the budget for the deputy attorney general's legal services. Trustee Miyake requested that the Administrator assess the anticipated impact of the adjustments made to the budget and report to the Trustees.

IV. UNFINISHED BUSINESS

A. Public Employees Health Fund Refund Project

Mr. Aburano will address the status of the court ruling on Plaintiffs' motion for attorneys' fees in Executive Session. Mr. Williams reported that when the legal issues are resolved, the EUTF staff is prepared to proceed with the refund project.

B. PeopleSoft Upgrade Project (Costs & Method of Procurement)/People Soft RFP

Ms. Shiroma reported that the EUTF will be reviewing the revisions/comments that were received from Deputy Attorney General Pat Ohara today. The EUTF is waiting for confirmation from ICSD that the revisions made based on their comments are satisfactory. Pending resolution of the Malanaphy extension proposal, the RFP will be ready for review at the next Board meeting.

C. Memorandum of Agreement with Attorney General's Office

At the last Board meeting, Trustee Radcliffe requested further information about how many deputies were funded by their agencies and to what extent they were funded. Mr. Aburano reported that after making inquiries, out of approximately 200 deputies 70 deputies are funded by their respective agencies at varying percentages. Some of the funding that is used for the deputies is federal funds.

MOTION was made to approve the memorandum of agreement with the Attorney General's office to fund the deputy's position for an amount up to \$70,500 effective July 1, 2005. (Watanabe/Recktenwald) After discussion by Trustees, the motion failed. (Employer Trustees-5, Yes-Befitel, Recktenwald, Shiraki, Thomason, Watanabe/Employee-Beneficiary Trustees-3, No-Lewis, Machida, Miyake)

D. Appeal by Member

At the November Board meeting, the Trustees requested additional information from the member regarding prior and type of coverage for the child. Mr. Nishihara reported that based on new information received from the member's attorney that the child was a foster child as early as August 12, 1999, the staff now recommends that the appeal be approved and that the child be enrolled effective the date that enrollment was originally requested, (May 10, 2004) or any later date as determined in consultation with the member.

MOTION was made to approve the appeal by the member to grant coverage for the child retroactive to May 10, 2004 or any later date determined in consultation with the member. (Miyake/Lewis) After discussion by Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

V. NEW BUSINESS

A. Insurance Renewal Proposal - Ratify

Mr. Williams reported that an e-mail was sent to Trustees on November 26, 2004 summarizing the insurance renewal and explained that coverage was needed by December 1, 2004. No objections were received by the Trustees, therefore; the coverage was binded. Mr. Williams stated that the premium increase is for \$11,500. Two reasons for the premium increases are: 1) the carriers are now not admitted in Hawaii which means they are subject to a 5% premium tax; and 2) the fiduciary liability insurance has an on-going claim that resulted in a premium increase. The recommendation by the Administrator is to ratify the contract. Due to a range of concerns and questions by the Trustees, the EUTF staff, Deputy Attorney General, and Ms. Stephanie Tsubata (Marsh insurance broker) will be reviewing whether and how much insurance coverage is needed in the future. Discussion held by Trustees and staff regarding the pending lawsuit and how it impacts the insurance coverage which will be discussed further in Executive Session and if steps were taken to look for other insurers. Ms. Tsubata explained that the problem is that the EUTF has both public officials liability and fiduciary liability insurance and that there are few carriers that are willing to write both coverages; especially with the multi-employer/organized labor fiduciary liability insurance there are only two carriers that write that type of coverage. For public officials liability insurance, there are only two carriers that would write in the State of Hawaii and only one common carrier that is willing to write for the EUTF. Marsh did marketing and AIG was the only carrier that responded.

MOTION was made to ratify the insurance contract. (Miyake/Machida) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5, Watanabe voted yes with reservations/Employee-Beneficiary Trustees-3)

B. Malanaphy Consulting - Extension of Contract

Trustee Watanabe reported that the task force met several times and requested the EUTF staff to provide information and to answer concerns/questions regarding the proposed extension of Malanaphy Consulting's contract, the projected additional costs, the justification for including extra services as additional billing, and contract expenses. After a series of meetings with the EUTF staff and Mr. Malanaphy, the task force met on December 10, 2004 to review the results of the discussions and meetings. The task force is comprised of Trustees Miyake, Radcliffe, Shiraki, and Watanabe. Further discussion will be held in Executive Session.

C. Administrative Fees

Mr. Garner gave an overview on the administrative cost allocation for the 2005-2006 plan year (see handout) that is based on the Trust Fund budget amount of \$3,876,188. This amount is allocated by premium, by line of coverage, and by total enrollment following the practice that was used the past two years. He stated that because the budget is up, the administrative fees are up by 92 cents. The current cost allocation for FY 2005 is \$2.88 and the proposed total for FY 2006 is \$3.80. Discussion held by Trustees and Garner Consulting regarding the methodology. Further discussion held by Trustees, staff, and Garner Consulting regarding the administrative fee income for 2004-05 and how it affects the expenditures. Garner Consulting will provide the final rates for FY 2006-07 to the Administrator for transmittal to OCB, Unions, and Trustees.

MOTION was made to approve the methodology of administrative cost allocation described by Garner Consulting for setting administrative fees for FY 2005-2006 and FY 2006-2007. (Miyake/Machida) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

D. Administrator's Performance Appraisal

Chair Thomason stated that a task force is needed to conduct the Administrator's performance appraisal. Discussion held by Trustees regarding assigning members for the task force.

MOTION was made to authorize a task force comprised of Trustees Machida, Radcliffe, Shiraki, and Watanabe to conduct the Administrator's performance appraisal. (Lewis/Befitel) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

E. Benefit Plan Changes

1. HDS

Ms. Lynette Arakawa gave an overview on the proposed benefit plan changes for HDS, effective January 1, 2005 with no cost increase (see handout). Changes in age limits for sealants and topical fluoride is effective July 1, 2005. Trustee Watanabe stated that sealants and preventive care has personally benefited her children.

2. Kaiser Permanente

Ms. Sandra Benevides gave an overview on the benefit plan changes proposed by Kaiser Permanente, effective July 1, 2005 unless otherwise indicated (see handout).

Ms. Benevides stated that item nos. 2 and 3 are not applicable to the EUTF because the EUTF has decided to continue the laboratory and x-ray coverages at no charge. The concerns raised by Trustee Radcliffe were addressed regarding the following: 1) Item #4, Contraceptive drugs and devices – a copy of commonly dispensed contraceptives was e-mailed to John Garner yesterday and copies are available. Even though the co-pay is 50%, Kaiser has adjusted the prices for common contraceptives that are dispensed between \$8 and \$20 which is still affordable for members. The names of the contraceptives and the percent of the population that is dispensed to are available to the Trustees; 2) Item #5, Billing charge – the increase is to deter members from not paying on date of service and it helps reduce administrative cost. Kaiser is flexible in situations where a member is unable to pay; and 3) Item #6, Outstanding balances – the 12% simple interest is not compounded interest but a flat fee. This will not be administered in 2005 although it is listed on the contract change sheet as a place holder. For EUTF members, the benefit level that is offered is high and it is unlikely that members will run into this situation. There are financial arrangements and programs that are available if someone cannot pay.

3. HMSA

HMSA's proposed benefit changes (see handout) were discussed at the Benefits Committee meeting.

Further discussion regarding the proposed benefit changes will be held in Executive Session.

F. Long-Term Care – Hartford Insurance

Mr. Keowen reported that Hartford is no longer in the group long-term care business and Med-America is administering those plans now. Although Hartford still retains the risk, they are requesting that the Board approve moving the risk to Med-America. Med-America's financials are strong. The advantage of doing so, the new Med-America products would be available to the group. In absence of the change, Hartford would offer the open enrollment in the spring season but that would be the last open enrollment available to the Hawaii group, so in the future employees interested in the long-term care plan would not have an EUTF sponsored plan. Discussion held by Trustees and Garner Consulting regarding the ending date of the contract and a new long-term insurance product called "Simplicity". Mr. Aburano said he understood that if the Board were to agree to the proposed transfer to Med-America, it did not mean that the EUTF would be continuing the contract beyond December 31, 2005; it would just mean that the participants of the plan would then be a part of Med-America's plan. Further, he understood that even if the EUTF contract ends, the participants in the plan could convert and continue on with Med-America. Mr. Keowen responded that their individual policies are sold through group mechanisms so they already paid their policies individually. Mr. Rodriguez of Hartford stated that if the Board allows the transition to Med-America after this next enrollment period, members can be offered the

new Simplicity Med-America plan, but if it is left the way it is after this enrollment, nothing will be offered at all and the contract will expire in December 2005. Mr. Garner asked for clarification that if the EUTF does make the change would the new Simplicity product be offered at open enrollment. Mr. Rodriguez responded that according to Med-America's letter they are going to offer the existing program, if the EUTF agrees to the change he would like to get back to Med-America immediately and try to offer the Simplicity plan for next open enrollment. Discussion held by Trustees, staff, and Garner Consulting regarding why the Board voted against continuing the long-term care plan, the marketing of the Simplicity plan without further analysis and research, and the current contract with Hartford. Trustee Watanabe requested to hear the recommendations of the Administrator, Consultant, and Deputy Attorney General. Mr. Williams recommends that the Board accept the proposal to transfer the risk from Hartford to Med-America because the consultant stated that Med-America is financially sound and just as stable as Hartford. Mr. Williams suggested that the Board separate the question of a new product and require that they come to the Board for approval. Mr. Garner agrees with the Administrator and stated that if Med-America is not offering the new product at open enrollment then there is enough time to look at the current and new product and to make a separate decision. Mr. Aburano said his concern was whether there was any risk in the proposed change – whether Med-America was less financially stable than Hartford. However, Garner Consulting said that Med-America was financially stable and that there appeared to be no other risk as a result of the proposed change.

MOTION was made to approve the recommendations of the Administrator and consultant in conjunction with the Deputy Attorney General to transfer the long-term care policy from Hartford to Med-America. (Watanabe/Shiraki) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

MOTION was made to amend the agenda to add open enrollment 2005. (Miyake/Recktenwald) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

G. Open Enrollment 2005

Mr. Nishihara requested that the Board approve: 1) the proposed 2005 Open Enrollment period to begin on Monday, April 18, 2005 and end on Friday, May 20, 2005; and 2) to amend Garner Consulting contract to assist the EUTF in updating the 2005 open enrollment booklets for an amount not-to-exceed \$10,000. Funds are available in the EUTF budget. Discussion held by Trustees and staff regarding the amendment of Garner Consulting's contract for the updating of the 2005 open enrollment booklets.

MOTION was made to approve the proposed 2005 open enrollment period to begin on Monday, April 18, 2005 and end on Friday, May 20, 2005. (Miyake/Watanabe) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

MOTION was made to approve the amendment of Garner Consulting's contract to assist the EUTF in updating the 2005 open enrollment books for an amount not-to-exceed \$10,000. (Miyake/Watanabe) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

A. The High Road – November 2004

VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Administrative Committee meeting scheduled for Tuesday, January 18, 2005, 1:00 p.m., location to be arranged.

Benefits Committee meeting scheduled for Tuesday, January 18, 2005, 3:00 p.m., location to be arranged.

Regular Board meeting scheduled for Wednesday, January 19, 2005, 3:30 p.m., location to be arranged.

Trustee Lewis has requested that Garner Consulting include in the annual report or as part of the discussion, the utilization by bargaining units, breakdown of the surpluses, and estimates of the reserves up to 2007. Mr. Garner stated that in the report they are providing the financial breakdown on each line of coverage, enrollment information, premium history rates, as much utilization information as they can get (hospital vs. physician), breakdowns by bargaining unit from premiums and claims, and self-funding projections.

VIII. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 5:55 p.m. (Watanabe/Lewis) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

Recess at 5:55 p.m., Reconvened at 6:03 p.m.

MOTION was made to move out of Executive Session. (Watanabe/Miyake) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

Executive Session adjourned at 6:30 p.m.

Report from Executive Session:

1. Extension of Malanaphy's Contract
Trustees approved the extension of Malanaphy's contract.
2. Benefit Plan Changes
Trustees approved all carriers proposed benefits changes.

3. Refund Project – O’Gorek Lawsuit

Trustees approved not to appeal the court’s decision and authorized the EUTF staff to deduct \$95,000 for Plaintiffs’ attorney fees and to proceed to make the distribution.

IX. ADJOURNMENT

MOTION was made to adjourn the regular meeting. (Watanabe/Miyake) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

The meeting was adjourned at 6:30 p.m.

Respectfully submitted,

/s/

Gerald Machida, Secretary-Treasurer

APPROVED on January 19, 2005 as amended.

Documents Distributed:

1. Amended Approved Minutes for 8/25/04. (8 pages)
2. December Administrator Report dated 12/9/04. (3 pages)
3. Garner Bulletin – November 2004. (2 pages)
4. EUTF Statement of Net Assets (Unaudited) dated 12/15/04. (1 page)
5. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 4 Months Ended 10/31/04 (Unaudited) dated 12/15/04. (1 page)
6. EUTF Statement of Cash Flows 4 Months Ended October 31, 2004 (Unaudited). (1 page)
7. EUTF 2005 Administrative Cost Allocation dated 12/15/04. (1 page)
8. HMSA-Proposed EUTF Benefit and Administrative Changes Effective 7/1/05 dated 11/16/04. (1 page)
9. Kaiser Foundation Health Plan, Inc., Hawaii Region, Summary of Important Changes for 2005 Group HMO Plan Contract Renewals dated 9/29/04. (2 pages)
10. HDS-Schedule of Benefits-Exhibit B Summary of Benefit Changes Effective 1/1/05. (5 pages)
11. The High Road – November 2004. (2 pages)