

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, August 27, 2019

TRUSTEES PRESENT

Mr. Christian Fern, Chairperson	Mr. Damien Elefante
Ms. Celeste Nip, Vice-Chairperson (arrived 9:14 a.m.)	Ms. Audrey Hidano
Ms. Laurel Johnston, Secretary-Treasurer	Mr. Gordon Murakami
Mr. Roderick Becker	Mr. Clifford Uwaine (arrived 9:10 a.m.)
Ms. Linda Currivan Musto	Mr. Ryker Wada

TRUSTEES ABSENT

None

ATTORNEY

Mr. Michael Chambrella, Deputy Attorney General

EUTF STAFF

Mr. Derek Mizuno, Administrator	Mr. Thomas Morrison, Benefits Consultant
Ms. Donna Tonaki, Assistant Administrator	Ms. Emily Kaimuloa
Ms. Maria Quartero	Mr. Raymond Kan
Ms. Amy Cheung	Ms. Lara Nitta
Ms. Linda Green	Mr. Kuan Yuan
Ms. Bonny Kahalewai	Mr. Dylan Zheng

OTHERS PRESENT

Ms. Sokhadina Aun, CVS Health	Ms. Vanelle Hirayasu, HMA
Ms. Stacia Baek, HMSA	Ms. Mae Kishimoto, HSTA-R
Ms. Irene Bayudan, VSP	Ms. Angela Kohls, Kaiser
Ms. Sandra Benevides, CVS Health	Mr. Brandon Kumabe, HMSA
Mr. Ty Bowers, CVS Health	Mr. Christopher Letoto, HMSA
Mr. Su Chai, Kaiser	Ms. Denise Mercil, Securian
Ms. Jane Lee Choe, Livongo	Dr. Chris Miura, Kaiser
Ms. Pamela Cunningham, Kaiser	Mr. Kurt Neuenfeld, CVS Health
Mr. Thomas England, Kaiser	Mr. Ezra Ng, HMSA
Ms. Elaine Fujiwara, HDS	Mr. Robert Nishimoto, Senate WAM
Ms. Susan Goya, HGEA-R	Mr. Vaughn Tokashiki, HSTA-R
Mr. Galen Haneda, HMSA	Mr. Troy Tomita, Kaiser
Ms. Keiko Hiraoka, Lilly	Mr. Trebor Waihee Yanazaki, HMSA

I. CALL TO ORDER

The meeting of the Board of Trustees was called to order at 9:00 a.m. by Chairperson Christian Fern, in the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board Room, 201 Merchant Street, Suite 1700, Honolulu, Hawaii, on Tuesday, August 27, 2019.

II. MINUTES – July 30, 2019.

The Board reviewed the draft minutes of July 30, 2019.

MOTION was made and seconded to approve the minutes of July 30, 2019 as circulated. (Becker/Elefante) The motion passed. (Employer Trustees-4 YES-Becker, Elefante, Johnston, Wada, 1 ABSTAIN-Hidano/Employee-Beneficiary Trustees-3 YES-Currivan Musto, Fern, Murakami)

III. EXECUTIVE SESSION

MOTION was made and seconded for the Board to move into Executive Session at 9:01 a.m. (Currivan Musto]/Wada) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

The regular meeting recessed at 9:38 a.m. and reconvened at 9:42 a.m.

Chairperson Fern reported that the Board performed the following in Executive Session:

1. Approved Executive Session minutes of July 30, 2019.
2. Approved the commitment of funds to a private credit fund, subject to contract negotiation.
3. Approved the commitment of funds to a private equity fund, subject to contract negotiation.

IV. COMMITTEE REPORTS

A. Investment Committee Report

1. June 30, 2019 Strategic Performance Report Including Excess Funds
Mr. Colin Bebee, Meketa Investment Group, participating via telephone, summarized the 2nd quarter 2019 results in which the OPEB Trust ended at \$3.1 billion with quarterly returns of 2.6% (net of fees) for the quarter, underperforming the policy benchmark return of 2.9%. Since inception (June 23, 2011), the EUTF portfolio has returned 7.1% (net of fees), slightly outperforming the policy benchmark return of 7.0%.
2. Quarterly Private Equity Report – Q1 2019
3. Quarterly Real Estate Report – Q1 2019
4. Investment Manager Due Diligence Plan Update
5. Staff Conference Report
6. Investment Activity Update

Mr. Kuan Yuan summarized the Investment Committee's report dated August 20, 2019 covering items 2-6.

B. Administrative Committee Report

1. 2020 Legislative Proposals
Mr. Derek Mizuno summarized the following 2020 legislative proposals:
 - a. Elimination of the employer option to not make contributions for retiree benefit enhancements after plan year 2004-2005
 - b. Mandatory requirement for new retirees to pay any required premiums through electronic ERS pension or a financial institution deduction
 - c. Limit employer contributions to premiums for a lower benefit plan for new hires after June 30, 2020
 - d. Elimination of Medicare Part B reimbursements for spouses of new hires after June 30, 2020

Based on the Administrator's recommendation, the Administrative Committee is recommending item b and deferring items a, c and d as more work needs to be done.

MOTION was made and seconded for the Board to approve the Administrative Committee's recommendation of a 2020 legislative proposal to mandate that new retirees, effective upon approval, pay required premiums through ERS pension or financial institution electronic deduction. (Hidano/Elfante) The motion passed. (Employer Trustees-5 YES-Becker, Elfante, Hidano, Johnston, Wada/Employee-Beneficiary Trustees-4 YES-Currivan Musto, Fern, Murakami, Nip, 1 NO-Uwaine)

2. Fiscal Year 2020-2021 Supplemental Budget

Ms. Donna Tonaki summarized the Administrative Committee's report dated August 23, 2019 recommending a supplemental budget request for fiscal year 2020-2021 in the amount of \$400,000 for data cleansing and related consultant services for the new benefits administration system

MOTION was made and seconded to approve the Administrative Committee's recommendation of a supplemental budget request for fiscal year 2020-2021 in the amount of \$400,000 for data conversion and cleansing for the new benefits administration system. (Wada/Hidano) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

3. Employers and Employee-Organizations' Responses to Proposed EUTF Administrative Rule Changes

Ms. Tonaki summarized the Administrative Committee's report dated August 23, 2019 noting that three employers and three employee-organizations responded to the proposed EUTF Administrative Rule changes with no comments.

MOTION was made and seconded to approve the proposed EUTF Administrative Rule Changes. (Hidano/Elfante) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

C. Benefits Committee Report

1. CVS Education: Biosimilars and Generics

This item was deferred by the Benefits Committee.

2. CVS Transplant Extended-Release Medications

Mr. Mizuno summarized the Committee, EUTF staff, CVS and Segal's discussion of the change in the Advanced Control Specialty Formulary to exclude certain transplant medication (Astragraf XL and Envarsus XR), the impact of transplants being rejected, drug costs, how 9 of the impacted members have tried the generic alternatives and the revised cost impact (approximately \$40,000 for the 7 members annually).

MOTION was made and seconded to approve the Benefits Committee's recommendation to grandfather EUTF actives and non-Medicare retirees that filled once a day products Astragraf XL and Envarsus XR prior to July 1, 2019. (Currivan Musto/Johnston) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

V. REPORTS

A. Segal

1. Plan Performance Report through June 30, 2019
2. Performance Guarantee Report through June 30, 2019
3. Quarterly Trend Report
4. June 30, 2019 IBNR Calculation

Mr. Tom Morrison summarized agenda items 1-4. The Trustees, benefits consultant, and EUTF staff discussed when penalties for the performance guarantees will be paid or was paid to the EUTF.

B. Administrator

1. Meetings with legislators and unions
2. Public engagement

C. EUTF Managers', Program Specialist and Benefits Audit Specialist Reports

1. Member Services Branch (MSB)
 - a. MSB Data
 - b. MSB Staffing Update
 - c. Carrier Reports
2. Information Systems (IS)
 - a. EUTF New Benefits Administration System (BAS) Project
 - b. V3 Benefits Administration System (V3 BAS) Modified Phase II (Employer File Feed)
 - c. HIC to MBI Number Conversion
 - d. Segal HIPAA Risk Assessment Report Update
 - e. ISB Staff Update
 - f. Enrollment Counts
3. EUTF Benefits Audit Specialist Report
 - a. Audits Currently in Progress
 - b. Additional Audits to be Initiated by 12/31/19
 - c. Completed and Recurring Audits
4. EUTF Program Specialist Report
 - a. Worksite wellness
Trustee Linda Currivan Musto commended the EUTF for launching "lunch and learn" health education workshops.
 - b. Preventive health
 - c. Chronic disease management
5. Financial Services Branch (FSB)
 - a. FSB Performance Data
 - b. Management Letter Corrective Action Plan Status
 - c. EUTF Collections

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- d. FSB Staffing Update
- e. 2019 Financial Audit
- f. Financial Statements as of June 30, 2019

D. Carrier Reports

1. CVS Caremark
2. SilverScript
3. Hawaii Dental Service (HDS)
4. Hawaii Mainland Administrators (HMA)

5. Hawaii Medical Service Association (HMSA)
Trustee Currivan Musto commended HMSA for their participation in the July 2019 events that included the neighbor islands.

6. Kaiser Health Foundation
Trustee Currivan Musto commended Kaiser for their 15 years Start Steppin' event at Tamarind Park.

7. Securian
8. USABLE Life
9. Vision Service Plan (VSP)

Ms. Mae Kishimoto, HSTA-R, asked Mr. Raymond Kan if the EUTF will keep a record of the old HIC numbers in case of errors or member needing to have the number. The Trustees, EUTF staff, and Ms. Kishimoto discussed access to social security numbers. Mr. Vaughn Tokashiki, HSTA-R, asked about Mr. Morrison's comment that the Kaiser contracts were non-refunding. Mr. Morrison responded that the Kaiser contracts are fully insured whereby any surpluses or deficits (premiums as compared to claims) were retained by Kaiser.

VII. NEXT MEETING DATE

The next Board meeting is on Tuesday, September 24, 2019 at 9:00 a.m. – Benefits and Investment Committee Reports.

VIII. ADJOURNMENT

MOTION was made and seconded for the Board to adjourn the meeting at 10:51 a.m. (Nip/Johnston) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Respectfully submitted,

/s/

Christian Fern, Secretary-Treasurer

APPROVED on September 24, 2019.

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Documents Distributed:

1. Draft Board Minutes of 7/30/19. (5 pages)
2. Memorandum to BOT from Investment Committee Regarding August 20, 2019 Investment Committee Meeting dated 8/20/19. (1 page)
3. Memorandum to BOT from Administrative Committee Regarding August 23, 2019 Administrative Committee Meeting dated 8/23/19. (2 pages)
4. Memorandum to BOT from Benefits Committee Regarding August 26, 2019 Benefits Committee Report dated 8/26/19. (1 page)
5. EUTF Year to Date Contract Plan Experience Report Contract Year to Date through June 2019 by Segal dated 8/27/19. (41 pages)
6. Trends by Segal Consulting, 3rd Quarter 2019. (1 page)
7. Article on Federal Agencies Announce Action Plan on Importation of Prescription Drugs dated 8/1/19. (2 pages)
8. Memorandum to BOT from Segal Consulting Regarding June 30, 2019 IBNR Calculation dated 8/27/19. (2 pages)
9. Administrators Monthly Report to the Board from July 2019-August 2019 dated 8/15/19. (1 page)
10. Memorandum to BOT from Member Services Branch Manager Regarding July 2019-August 2019 Member Services Operations Report dated 8/15/19. (6 pages)
11. Memorandum to BOT from Information Systems Chief Regarding July 2019-August 2019 Information Systems (IS) Operations Report dated 8/15/19. (11 pages)
12. Memorandum to Administrator from EUTF Benefits Audit Specialist Regarding July 2019-August 2019 EUTF Benefits Audit Specialist Report dated 8/15/19. (2 pages)
13. Memorandum to Administrator from EUTF Program Specialist Regarding July 2019-August 2019 EUTF Program Specialist Report dated 8/15/19. (7 pages)
14. Memorandum to BOT from Financial Management Officer Regarding July 2019-August 2019 Financial Services Branch (FSB) Report dated 8/15/19. (5 pages)
15. CVS Caremark Monthly Carrier Report for July 2019 dated 8/8/19. (13 pages)
16. SilverScript Monthly Carrier Report for July 2019 dated 8/5/19. (4 pages)
17. HDS Monthly Carrier Report for July 2019 dated 8/9/19. (2 pages)
18. HMA Monthly Carrier Report for July 2019 dated 8/9/19. (2 pages)
19. HMSA Monthly Carrier Report for July 2019 dated 8/15/19. (3 pages)
20. Kaiser Monthly Carrier Report for July 2019 dated 8/8/19. (2 pages)
21. Securian Financial Monthly Carrier Report for July 2019 dated 8/10/19. (1 page)
21. VSP Monthly Carrier Report for July 2019 dated 8/8/19. (2 pages)