

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Minutes of the Board of Trustees

Tuesday, September 24, 2024

TRUSTEES PRESENT

Mr. Ryan Yamane, Chairperson	Ms. Audrey Hidano (excused at 9:44 a.m.)
Mr. Robert Yu, Vice Chairperson	Mr. Wesley Machida (via video conference)
Mr. James Wataru, Secretary-Treasurer	Ms. Sabrina Nasir (via video conference, excused at 9:44 a.m., returned at 11:23 a.m.)
Ms. Jacqueline Ferguson-Miyamoto	Mr. Osa Tui (excused at 11:48 a.m.)
Mr. Christian Fern	Ms. Maureen Wakuzawa

TRUSTEES ABSENT

None

ATTORNEY

Mr. Michael Chambrella, Deputy Attorney General

EUTF STAFF

Mr. Derek Mizuno, Administrator	Mr. Marvin Judd (via video conference)
Ms. Amy Cheung, Financial Management Officer (via video conference)	Ms. Emily Kaimulua (via video conference)
Ms. Lauren Endo, Compliance Officer (via video conference)	Mr. Joao Marco Maffini (via video conference)
Ms. Jessica McDonald, Member Services Branch Manager	Ms. Katie Matsushima
Mr. Brett Tatsuno, Investment Officer	Ms. Lara Nitta
Ms. Desiree Yamauchi	

CONSULTANTS (via video conference)

Mr. Colin Bebee, Meketa Investment Group	Ms. Mary Fedor, Segal Consulting
Ms. Shelley Chun, Segal Consulting	Mr. Stephen Murphy, Segal Consulting

OTHERS PRESENT (via video or audio conference, unless otherwise noted)

Ms. Joy Abreu	Ms. Meagan Kini-Ho, HMSA
Mr. Blaise Aquino, HMSA	Ms. Mae Kishimoto, HSTA-Retired
Ms. Tiffany Andrade, HMSA	Ms. Joey Lee, HDS
Ms. Stacia Baek, HDS	Mr. Chris Letoto, HMSA (in person)
Ms. Amy Bell, TELUS Health	Ms. Denise Mercil, Securian
Mr. Austin Bunag, HMSA	Dr. Christopher Miura, Kaiser
Mr. Su Chai, Kaiser	Ms. Heather Miyasato, HMSA
Mr. Francis Cuenca, CVS	Mr. Ezra Ng, HMSA
Ms. Lori Ann Davis, HMSA (in person)	Mr. Mark Nishimura, HMSA (in person)
Mr. Joe Ebisa, WithIntelligence	Mr. Chandler Pearson, Kaiser
Mr. Thomas England, Kaiser	Mr. Dave Shiroma, Kaiser
Ms. Samantha Furutani, CVS	Ms. Jenny Smith, Humana
Ms. Kehau Giles, HMSA	Mr. Garret Sugai, HMSA (in person)
Mr. Dale Goya, HMSA (in person)	Mr. Troy Tomita, Kaiser
Mr. Galen Haneda, HMSA (in person)	Ms. Anne VanHaaren, CVS
Mr. Trevor Hu, HMSA	Mr. Scott Yamaguchi, Kaiser
Mr. Jon Kawamura, Legislature	Anonymous (x3)
Ms. Monica Kim, VSP	

I. CALL TO ORDER

The meeting of the Board of Trustees of the Hawaii Employer-Union Health Benefits Trust

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Board of Trustees Meeting

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Fund (EUTF) was called to order at 9:01 a.m. by Chairperson Ryan Yamane, in the EUTF Board Room, 201 Merchant Street, Suite 1700, Honolulu, Hawaii, on Tuesday, September 24, 2024.

II. REVIEW OF MINUTES – JULY 30, 2024

The Board reviewed the draft minutes of July 30, 2024.

MOTION was made and seconded to approve the July 30, 2024 minutes, as circulated. (Ferguson-Miyamoto/Wataru) The motion passed unanimously. (Employer Trustees-5/ Employee-Beneficiary Trustees-5)

III. OLD BUSINESS

A. Benefits Administration System Implementation Status Update

Ms. Amy Bell, TELUS Health, provided an update on the implementation of the new Benefits Administration System (BAS) noting the following:

- Sprints 4/5 (core upgrade and County of Kauai special open enrollment) and 6 (death file import) went into Production on August 16 and September 6, 2024, respectively.
- Sprint 7 (core upgrade) is scheduled to go into Production on October 11, 2024.
- There's no change on the two remaining payroll and other accounting report issues scheduled to be completed by December 31, 2024.
- Death imports are working electronically for approximately 70% of the cases with certain situations (30%) needing further update. Expected completion date is December 31, 2024.
- Milestone jobs for recertification of student dependents of surviving spouses and Medicare new enrollments were put into Production on September 6 and August 19, 2024, respectively. If there are no significant issues, this item will be removed.
- Ninety percent of the student expiry (e.g., if the student certification is not submitted, the BAS is supposed to terminate the dependents applicable coverages) job is working. Two remaining scenarios need to be updated. The Medicare expiry is scheduled to go into Production by October 31, 2024.

IV. EXECUTIVE SESSION

MOTION was made and seconded to move into Executive Session at 9:08 a.m.

(Yu/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

The regular meeting reconvened at 9:44 a.m.

Chairperson Yamane reported that during Executive Session, the Board approved an appeal to enroll outside of open enrollment.

Trustees Audrey Hidano and Sabrina Nasir were excused from the meeting at 9:44 a.m.

V. COMMITTEE REPORTS

A. Investment Committee

1. Quarterly Performance Report – Q2 2024

Mr. Colin Bebee, Meketa Investment Group, highlighted significant points in the Q2 Performance Report. The OPEB Trust finished the quarter at \$7.8 billion, gaining 1.0% and 8.2% for the quarter and 1-year, respectively (net of fees), underperforming the policy benchmark of 1.7% and 9.6%, respectively. Underperformance during both periods was primarily attributed to short-term benchmarking challenges within the Private Equity and Private Credit asset classes. Since inception (June 23, 2011), the portfolio has returned 7.3% (net of fees) versus the policy benchmark return of 7.3%.

Mr. Bebee reported that the EUTF Trust Fund finished the quarter at \$577.1 million, up 0.6% and 8.6% for the quarter and 1-year, respectively (net of fees). Since inception (October 1, 2013), the portfolio has returned 3.8% (net of fees).

2. Quarterly Private Credit Report and Annual Portfolio Review – Q1 2024

Mr. Brett Tatsuno noted that at the end of the quarter, Private Credit reported a market value of \$576.1 million (7.6% of the OPEB Trust), with a since inception return of 10.1% (net of fees), outperforming the asset class benchmark of 9.6%.

3. Quarterly Private Equity Report – Q1 2024

4. Quarterly Private Real Assets Report – Q1 2024

5. OPEB Evolving Policy Plan

Mr. Bebee presented a memorandum recommending an updated Evolving Policy Plan for the OPEB Trust. The plan consists of five transition stages over a three-year period to ensure a smooth and gradual path towards the new long-term strategic allocation approved at the May 2024 Board meeting. While the actual pacing will depend on how fast private market managers call capital, the overall transition is expected to be completed by January 1, 2027.

MOTION was made and seconded to approve the Investment Committee's recommended OPEB Evolving Policy Plan. (Ferguson-Miyamoto/Wataru) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

6. EUTF Trust Fund Strategic Allocation Study

Mr. Bebee presented the 2024 Strategic Allocation Study for the EUTF Trust Fund (Trust Fund). The short-term portion will remain in the existing short-term corporate bond strategy. Risk/return assumptions for each asset class were developed and used in a modeling process to create two portfolio options, A and B. Option A maintains a similar expected return while reducing risk (standard deviation and expected maximum drawdown). Option B maintains similar risk characteristics and increases the expected compound return. Both options included the addition of liquid credit (predominately below investment grade fixed income instruments) and US Treasury Inflation-Protected Securities (US TIPS) to further diversify the program.

MOTION was made and seconded to approve the Investment Committee's recommendation of Option B as the new policy portfolio and the related evolving policy plan for the long-term component of the EUTF Trust Fund. (Wataru/Machida) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary

Trustees-5)

B. Administrative Committee

1. 2025 Legislative Proposals

Mr. Derek Mizuno noted that the Board proposed a similar bill during the 2024 legislative session to amend HRS 87A-33(c) to have the 2025 to 2026 change in Medicare Part B premiums change the 2027 base monthly contribution (BMC). Currently, the 2025 to 2026 change in Medicare Part B premiums will change the 2026 BMC. As a result, retirees may not know the employers' contribution when making changes to their plans during open enrollment (OE) since retiree OE is held the last two weeks of October and the upcoming year's Medicare Part B premiums are available mid-October to early November.

For the stub BMC year (2026), EUTF staff propose use of a 10-year annualized increase in Medicare Part B premiums (5.2% through 2024).

MOTION was made and seconded to approve the Administrative Committee's recommended 2025 legislative proposal to amend HRS 87A-33(c) to have the base monthly contribution determined by the change in Medicare Part B from the previous year and to use a 10-year average for the 2026 base monthly contribution. (Wataru/Yu) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

2. Biennium Budget Request – July 1, 2025 – June 30, 2027

Mr. Mizuno presented the Administrative Committee's recommendation to approve the fiscal year 2025 and 2026 biennium budget that includes increases for a permanent investment officer position and an increase in fringe benefits due to the increase in the fringe rate from 52.6% to 64.25% for all executive branch employers.

MOTION was made and seconded to approve the Administrative Committee's recommended EUTF budget for fiscal years 2026 and 2027. (Machida/Wataru) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

C. Benefits Committee

1. Kaiser Permanente Senior Advantage Plan Change
2. Kaiser Permanente Disease Management/Integrated Health Management (DM/IHM) Improvement Plan
3. HMSA DM/IHM Improvement Plan
4. HMSA Disease Management Programs
 - a. AccordantCare Rare Program
 - b. Virta Digital Diabetes Program
5. Segal Clinical Programs Analysis
6. HMSA Payment Transformation
7. HMSA e-Consult Program

Mr. Mizuno summarized the Benefits Committee report.

III. OLD BUSINESS (continued)

B. Updated Prescription Drug Plan Retiree Rates Effective January 1, 2025 – Caremark and SilverScript

Mr. Steve Murphy, Segal Consulting, presented an update to the previously approved retiree prescription drug premiums for the CVS and SilverScript non-Medicare and Medicare retiree plans effective January 1, 2025. Updates were made due to changes to the Medicare Part D subsidies and the inclusion of the Medicare Prescription Payment Plan as a result of the Inflation Reduction Act resulting in a significantly lower Medicare retiree premium and a slightly lower non-Medicare retiree premium.

MOTION was made and seconded to approve the revised prescription drug plan retiree premiums effective January 1, 2025 as recommended by Segal.

(Wataru/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

C. Revised EUTF Administrative Rules

Ms. Katie Matsushima reported that there was only one question from HGEA that was addressed to their satisfaction regarding the revised EUTF Administrative Rules that were provided to the unions and employers.

MOTION was made and seconded to approve the revised EUTF Administrative Rule Changes for submission to the Governor. (Wataru/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

D. Permitted Interaction Group

Mr. Mizuno reported on the results of the permitted interaction group (PIG).

Chairperson Yamane advised that pursuant to the Sunshine Law, the PIG can only report its' findings at this meeting. No discussions or recommendations can be made at this meeting. This item will be placed on the October 22, 2024 Board agenda.

Trustee Christian Fern expressed his appreciation for Trustee Wesley Machida's contribution to the PIG.

Chairperson Yamane thanked the PIG members for their contributions and thanked Trustees Fern and Machida for serving as the Chair and Vice Chair, respectively.

VI. NEW BUSINESS

A. HMSA Network – Kapiolani Medical Center

Mr. Mizuno informed the Board that HMSA has provided the requested information on services utilized by EUTF members at Kapiolani Medical Center. HMSA also expressed in their memorandum their concerns regarding excluding Kapiolani Medical Center and in turn Hawaii Pacific Health from the network and the impact it will have on the EUTF members because of the specialized services offered by Kapiolani Medical Center.

Trustee Christian Fern raised concern about how the Kapiolani Medical Center nurses were being locked out and the detrimental impact it could have on the services provided.

B. HMSA HMO Analysis

Ms. Lori Ann Davis, Mr. Dale Goya, Mr. Chris Letoto, and Mr. Garret Sugai, HMSA, presented information on their HMO network.

HMSA requested to go into Executive Session to discuss proprietary information regarding the HMO product.

MOTION was made and seconded to move into Executive Session at 10:44 a.m. for HMSA to discuss proprietary information regarding the HMO product (Fern/Wataru) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

The regular meeting reconvened at 11:15 a.m.

Mr. Mizuno presented a memorandum from EUTF staff noting concerns about the HMSA HMO medical/CVS prescription drug plan low, declining enrollment, the 100% inpatient benefit and high premiums. Mr. Steven Murphy, Segal, noted the same concerns and the long time-frame that HMSA is likely to take to improve the HMO product. Mr. Mizuno presented options outlined in the memorandum for a July 1, 2025 implementation.

Trustee Nasir returned to the meeting at 11:23 a.m.

MOTION was made and seconded to close the EUTF HMSA HMO/CVS prescription drug plan to new active employees (new subscribers) for coverage effective July 1, 2025. (Fern/Machida) Trustee Osa Tui clarified that employees enrolled in the plan on July 1, 2025 could add dependents (e.g., a newborn) but new hires and current employees during open enrollment could not enroll in the plan from July 1, 2025. Trustee Fern commented that there is not much difference between the Payment Transformation coordination of care model and the HMO model. The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

The meeting recessed at 11:28 a.m. and reconvened at 11:33 a.m.

VII. REPORTS

A. EUTF Benefits Consultant (Segal)

1. Amended Five-Year Rate Projection with Approved Updated Prescription Drug Plan Retiree Rates Effective January 1, 2025
2. Quarterly Plan Performance Report – June 30, 2024
3. Quarterly Performance Guarantee Report – June 30, 2024
4. June 30, 2024 IBNR Calculation – Prescription Drug Plan and Supplemental Medical and Prescription Drug Plan
5. 2024 Q3 Trends Report

Mr. Murphy summarized the Segal reports.

B. Administrator

1. Meetings with Legislators and Unions
2. Staffing Update
3. Training

Mr. Mizuno informed the Board that the Investment Analyst position was posted to the State Department of Human Resources Development website.

C. EUTF Managers' and Program Specialists' Reports

1. Member Services Branch (MSB)
 - a. MSB Data
 - b. Outreach & Training
 - c. County of Kauai Special Open Enrollment
 - d. 2025 Retiree Open Enrollment
2. Information Systems (IS)
 - a. EUTF Benefits Administration System (BAS) Project
 - b. Security Assessment
 - c. Equipment Replacement
 - d. Enrollment Counts
3. Eligibility and Enrollment Report
 - a. Audits Currently in Progress
 - b. Point in Time Reconciliation Audits
 - c. Recurring Audits
4. Health and Wellness Report
 - a. Worksite Wellness
 - b. Preventive Health
 - c. Chronic Disease Management
5. Financial Services Branch (FSB)
 - a. FSB Performance Data
 - b. Refunds and Medicare Part B Overpayments Status
 - c. EUTF Collections
 - d. 2024 Financial Audit
 - e. Financial Statements as of June 30, 2024

D. Carrier Reports

1. CVS Caremark
2. SilverScript
3. Hawaii Dental Service (HDS)
4. Hawaii Medical Service Association (HMSA)
5. Humana
6. Kaiser Health Foundation
7. Securian
8. Verdegard Hawaii (formerly known as HMA)
9. Vision Service Plan (VSP)

Ms. Mae Kishimoto, HSTA-Retired, voiced her agreement with the concerns raised by Trustee Fern.

IV. EXECUTIVE SESSION (continued)

The Board meeting recessed and moved into Executive Session at 11:44 a.m.

Trustee Tui was excused from the meeting at 11:48 a.m., during Executive Session

The regular meeting reconvened at 12:15 p.m.

Chairperson Yamane reported that during Executive Session, the Board:

- Approved a commitment of funds to a private real assets fund, subject to contract negotiations.
- Approved a commitment of funds to a private equity fund, subject to contract negotiations.
- Approved RFP 25-001 Actuarial Services for Other Post-Employment Benefits.
- Reviewed and discussed the July 30, 2024 minutes. Since there were no edits or objections by the Trustees, the minutes stand approved.

VIII. NEXT MEETING

Tuesday, October 22, 2024, 9:00 a.m. – Benefits Committee Report

IX. ADJOURNMENT

MOTION was made and seconded for the Board to adjourn the meeting at 12:17 p.m. (Wataru/Fern) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

APPROVED on October 22, 2024.

Documents Distributed:

1. Draft Board Minutes of July 30, 2024. (6 pages)
2. Hawaii EUTF – Ariel BAS Update, prepared by TELUS Health, dated September 24, 2024. (5 pages)
3. Memorandum to EUTF BOT from Investment Committee, regarding August 20, 2024 Investment Committee Meeting Report, dated September 18, 2024. (2 pages)
4. Memorandum to EUTF BOT from Administrative Committee, regarding Administrative Committee Report – August 22, 2024 Meeting, dated August 22, 2024. (1 page)
5. Memorandum to EUTF BOT from Benefits Committee, regarding August 19, 2024 Benefits Committee Meeting Report, dated August 19, 2024. (2 pages)
6. Memorandum to BOT from Segal Consulting, regarding Updated 2025 Retiree Prescription Drug Rates, dated September 24, 2024. (5 pages)
7. Memorandum to EUTF BOT from Eligibility Specialist, regarding Proposed EUTF Administrative Rule Changes, dated September 13, 2024. (5 pages)
8. Memorandum to EUTF BOT from EUTF Permitted Interaction Group, regarding Permitted Interaction Group Recommendations, dated July 30, 2024. (5 pages)
9. Memorandum to BOT EUTF from HMSA, regarding EUTF request to HMSA re: Kapiolani Medical Center for Women & Children, dated September 19, 2024. (2 pages)
10. EUTF's HMO Plan Offering, prepared by HMSA, dated September 2024, Redacted Version. (25 pages)

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11. Memorandum to BOT from Program Specialist, regarding HMSA HMO Options, dated September 24, 2024. (2 pages)
12. Memorandum to BOT EUTF from Segal Consulting, regarding Open Panel HMO Analysis (Informational Only), dated May 21, 2024, Redacted Version. (8 pages)
13. EUTF, Year to Date Contract Plan Experience Report, Contract Year to Date through June 2024, prepared by Segal Consulting, dated September 24, 2024. (41 pages)
14. Memorandum to BOT EUTF from Segal Consulting, regarding Performance Guarantee Reporting for the Second Quarter of 2024, dated September 13, 2024. (16 pages)
15. Memorandum to BOT EUTF from HMSA, regarding HMSA Customer Service Update, dated September 11, 2024. (2 pages)
16. Memorandum to BOT EUTF from Segal Consulting, regarding June 30, 2024, Prescription Drug IBNR Calculations, dated August 27, 2024. (2 pages)
17. Memorandum to BOT EUTF from Segal Consulting, regarding June 30, 2024, Supplemental Medical IBNR Calculations, dated August 27, 2024. (2 pages)
18. Memorandum to BOT EUTF from Segal Consulting, regarding Segal's 2024 Third Quarter Trends Report, dated September 24, 2024. (3 pages)
19. Administrator's Monthly Report to the Board for July 20 – September 13, 2024, dated September 13, 2024. (1 page)
20. Memorandum to BOT from Member Services Branch Manager, regarding July – September 2024 Member Services Operations Report, dated September 13, 2024. (8 pages)
21. Memorandum to BOT from Information Systems Chief, regarding July 2024 – September 2024 Information Systems (IS) Operations Report, dated September 13, 2024. (17 pages)
22. Memorandum to Administrator from Eligibility Specialist regarding July – September 2024 Eligibility and Enrollment Report, dated September 13, 2024. (2 pages)
23. Memorandum to EUTF BOT from Program Specialist regarding July – September 2024 Health and Wellness Specialist Report, dated September 13, 2024. (9 pages)
24. Memorandum to BOT from EUTF Financial Management Officer regarding July 2024 – September 2024 Financial Services Branch (FSB) Report, dated September 13, 2024. (6 pages)
25. CVS/Caremark Monthly Carrier Report for August 2024 dated September 3, 2024. (2 pages)
26. CVS/Caremark Monthly Carrier Report for July 2024 dated August 4, 2024. (2 pages)
27. SilverScript Monthly Carrier Report for August 2024 dated September 1, 2024. (2 pages)
28. SilverScript Monthly Carrier Report for July 2024 dated August 1, 2024. (2 pages)
29. HDS Monthly Carrier Report for August 2024 dated September 9, 2024. (2 pages)
30. HDS Monthly Carrier Report for July 2024 dated August 9, 2024. (2 pages)
31. HMSA Monthly Carrier Report for August 2024 dated September 9, 2024. (3 pages)
32. HMSA Monthly Carrier Report for July 2024 dated August 9, 2024. (3 pages)
33. Humana Monthly Carrier Report for August 2024 dated September 9, 2024. (3 pages)
34. Humana Monthly Carrier Report for July 2024 dated August 8, 2024. (3 pages)
35. Kaiser Permanente Monthly Carrier Report for August 2024 dated September 9, 2024. (2 pages)
36. Kaiser Permanente Monthly Carrier Report for July 2024 dated August 9, 2024. (2 pages)
37. Securian Financial Monthly Carrier Report for August 2024 dated September 9, 2024. (1 page)
38. Securian Financial Monthly Carrier Report for July 2024 dated August 8, 2024. (1 page)
39. Verdegard Monthly Carrier Report for August 2024 dated September 9, 2024. (2 pages)
40. Verdegard Monthly Carrier Report for July 2024 dated August 8, 2024. (2 pages)
41. VSP Monthly Carrier Report for August 2024 dated September 8, 2024. (6 pages)
42. VSP Monthly Carrier Report for July 2024 dated August 8, 2024. (6 pages)