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JAMES WILLIAMS

FOR IMMEDIATE RELEASE: November 23, 2009

STATEMENT BY EUTF ADMINISTRATOR JIM WILLIAMS

Honolulu--The EUTF wishes to set the record straight regarding the current open enrollment, the decision-making process that led to it, the choices that are available to employees, and the confusion caused by inaccurate and unauthorized information disseminated by HMSA.

RETIREES NOT AFFECTED

First, EUTF retirees are not affected by what we are discussing here. There are no new plan offerings for retirees. Retirees satisfied with their current plan offerings do not need to do anything and they will remain in the same plans, with the same insurers and plan administrators for the plan year from January 1, 2010 through December 31, 2010. Retirees, who want to change plans, add coverages or add dependents may do so. And retirees still need to get their forms to the EUTF by November 30. Please print that or air that.

ACTIONS TAKEN BY BOARD OF TRUSTEES AT SPECIAL MEETING TODAY

Today, the EUTF Board of Trustees took actions designed to 1) give employees sufficient time to evaluate their options and submit their open enrollment forms; 2) provide EUTF staff sufficient time and additional resources to complete processing of open enrollment forms prior to the effective date of the enrollment changes; and 3) set the record straight for EUTF beneficiaries and the public.

A brief explanation of each of the Board's decisions today follows:

- 1) Extension of Open Enrollment deadline to December 7.

Employees now have one (1) additional week to review their choices, get more information and submit their enrollment forms.

- 2) Delay of effective date of changes resulting from Open Enrollment to February 1, 2010.

The EUTF staff will have an additional month to process forms, so that when the new plan and changed enrollments go into effect on February 1, 2010, insurers and plan administrators will have the necessary eligibility files and payroll deductions will reflect the correct amounts. I am confident that this extra time, combined with additional staff resources will enable the EUTF staff to complete work on the open enrollment.

- 3) Authorizing hire of temporary workers to address EUTF workload issues.

A one-month extension alone is not sufficient to ensure timely processing of enrollment forms. At the Governor's suggestion, the Board of Trustees has authorized me to hire temporary workers to assist with the current backlog and with open enrollment processing. If the EUTF is able to bring on temporary help, and combined with assistance that has been promised by insurers and plan administrators, the work can be completed by February 1, 2010.

- 4) Setting the record straight.

The EUTF has neither the resources nor the expertise to conduct a media campaign. We are confident, however, that the facts speak for themselves and the goal of this press conference is to enable our beneficiaries to make informed decisions based on accurate information.

DECISION-MAKING PROCESS OF BOARD OF TRUSTEES (AUGUST, SEPTEMBER, OCTOBER)

Considerable attention and much misinformation has been circulated in the community and among public employees about the decisions made by the EUTF Board regarding the choices available to public employees during the current Open Enrollment period. The record of what occurred as documented in the minutes of the Board's meetings of August 28, 2009 and September 30, 2009 (continued to and concluded on October 6, 2009), is clear and unambiguous. A detailed review of those meetings is attached and copies of the minutes are included in your press packet.

In summary, the EUTF PPO plan and certain other medical plans, along with the prescription drug plan are self-insured by the EUTF. This means the Board of Trustees determines the benefits and rates for those plans and the EUTF takes the financial risks for those plans. The respective plan administrators are paid an administrative fee. The EUTF Board of Trustees decided to offer both the current 90/10 PPO plan, and a new 80/20 PPO plan, effective January 1, 2010. The new offering was intended to give participants a lower cost comprehensive medical plan option, and was specifically requested by HGEA/AFSCME. Since HMSA has the highest enrollment in the current 90/10 plan, they were given first choice of which plan to administer. HMSA chose to administer the 80/20 plan, so the 90/10 plan was assigned to HMA. When HMSA realized that participants currently enrolled in the 90/10 plan would remain in that plan (now to be administered only by HMA) unless they submitted an enrollment form requesting the 80/20 plan, HMSA asked the Board to change its decision. The Board declined HMSA's request.

COMMUNICATIONS TO EMPLOYEES ABOUT OPEN ENROLLMENT

The Board's final decisions regarding the plans and rates to be offered effective January 1, 2010 were made on October 6, 2009. That gave the EUTF staff and consultant 26 days to complete planning, prepare communications, and implement the Open Enrollment

period. In a normal year, this preparation occurs over a three-month period. Briefly, those activities are:

- 1) Briefing state and county agency personnel officers and conducting employee and retiree benefit fairs on all islands during October (personnel officers) and November (employees and retirees).
- 2) Drafting, printing and distributing “Ka Leo O EUTF” newsletter.
- 3) Drafting, printing and distributing Employee Notice.
- 4) Drafting, printing and distributing Open Enrollment Reference Guide.

There has been valid criticism that Open Enrollment material was distributed late. Newsletters went out from October 29 through November 3. The General Notice was emailed to Department Heads, Department Personnel Officers, County Personnel Offices, Employee Organizations, and Contacts on November 4, 2009 for distribution to employees by hard copy or electronically. Reference Guides were distributed on several days from November 4 to November 9. However, all these notices were in the hands of employees well in advance of the (original) deadline of November 30, 2009. It is also true that attendance at a few benefit fairs overflowed and some employees could not get in. However, for most of the popular venues, additional sessions already were scheduled. In addition, information is readily available in the Reference Guide and on the Open Enrollment web site. Now that the Board has extended the deadline for one (1) week to December 7, these concerns will be fully addressed.

The biggest criticism has been that EUTF communications did not make clear to employees the choices related to the plans and the plan administrators. I respectfully disagree.

Attached is a detailed review of the three (3) main printed communications that were distributed to employees. These include the EUTF newsletter, the General Notice to employees, and the Open Enrollment Reference Guide. Each of these documents clearly presented that the current 90/10 PPO Plan will be administered only by HMA and that the new 80/20 plan will be administered by HMSA. Further, the communications clearly state that those employees now in the 90/10 plan with HMSA who do not submit an enrollment form will remain in the 90/10 plan and it will be administered by HMA. Each of the documents includes a chart that clearly shows the outcomes of the various enrollment options.

CONFUSION CREATED AND FOSTERED BY HMSA

Unfortunately, actions by HMSA have created and fostered confusion among beneficiaries, government officials and the general public.

First, it must be noted that the Open Enrollment is sponsored and carried out by the EUTF. Insurers and plan administrators participate in EUTF Open Enrollment activities at the invitation of and under the direction of the EUTF. Advertising by insurers and plan administrators related to EUTF plans and activities is permitted as long as the copy is

submitted to and approved by the EUTF administrator in advance. Until this year, HMSA and all the other insurers and plan administrators have complied with EUTF directives, but this year HMSA has not followed the requirement for prior review of Open Enrollment related copy.

In October, before the EUTF Open Enrollment period started, an HMSA executive sent an email from his HMSA account and with his full HMSA title and contact information, with erroneous and misleading information regarding the Board's decisions and the choices available to employees. This email specifically asked recipients to send the information to public employees, and it was widely circulated in its entirety among State departments and agencies. My letter of November 4, 2009 to HMSA demanding corrective action went unanswered. On November 18, 2009, I called HMSA President and CEO Robert Hiam to inquire about HMSA's intentions, having read press accounts that HMSA stood by the email. The HMSA attorney challenged me to specify what was inaccurate about the email, and I did so in a letter that day. Subsequently, the attorney sent a letter saying that the executive would send a message to the same recipients telling them that the EUTF did not authorize his email. This reply is inadequate and unacceptable, and the EUTF will pursue its own corrective measures.

Other examples include an HMSA newspaper advertisement offering to help employees fill out enrollment forms; a Pacific Healthcare (HMSA HMO) newspaper advertisement implying that HMO enrollees will be changed to HMA (they won't); and HMSA phone calls to employees at their homes (the script was not submitted to, reviewed or approved by EUTF).

EUTF WORKLOAD

My memorandum of November 5, 2009 regarding "EUTF Workload and Service Issues" received considerable attention.

It is now fair to ask what is being done to address the issues raised. As noted, today's actions by the Board will give the EUTF staff an additional month to complete their work. The Board also acted on the Governor's suggestion to hire temporary workers and that will bear significant fruit if the anticipated approval is received. In addition, one vacancy will be filled through the RIF process and the Governor has approved filling four (4) other vacancies.

On October 29, 2009 I sent a memorandum to insurers/plan administrators requesting assistance from them, since they would be affected if the EUTF is unable to complete enrollment processing on time. HMA responded promptly and already is providing assistance. Kaiser, Royal State, VSP, and HDS are working together to hire temporary help to be assigned to the EUTF. HMSA responded that it will provide one temporary worker. informedRx and Standard offered help from local staff after OE meetings conclude. The EUTF appreciates this support and cooperation by all these organizations.

The EUTF staff, working with the computer vendor and with the cooperation of HMSA and HMA, has identified work-arounds and revised processes that will enhance the ability of the temporary workers and permanent staff to process Open Enrollment forms

on a timely basis. This effort at creative solutions is ongoing. Additionally, EUTF staff continues to work extensive overtime hours.

CONCLUSION

Today's actions by the Board of Trustees are good for our beneficiaries. Not only will they have more time to make their choices and submit their enrollment forms, but they can be assured that those forms will be processed by the time they need medical services and that their payroll deductions will be accurate. I call on HMSA executives to resume the kind of cooperation with the EUTF that they have exhibited in the past and to focus on educating the beneficiaries about the advantages of HMSA's offerings.

Thank you for covering the positive steps being taken by the EUTF.

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For further information, contact:
Jim Williams, EUTF Administrator
Phone: 587-5434

ATTACHMENT 1

DECISION-MAKING PROCESS OF BOARD OF TRUSTEES

(AUGUST, SEPTEMBER, OCTOBER)

Considerable attention and much misinformation has been circulated in the community and among public employees about the decisions made by the EUTF Board regarding the choices available to public employees during the current Open Enrollment period. The record of what occurred as documented in the minutes of the Board's meetings of August 28, 2009 and September 30, 2009 (continued to and concluded on October 6, 2009), is clear and unambiguous.

August 26, 2009

Prior to the August Board meeting the EUTF benefit consultant (Aon Consulting) offered HMSA its choice of plans to administer. HMSA chose the 80/20 plan. Subsequently, HMA was asked – and it agreed – to administer the 90/10 plan. At the August 26th meeting, which was well attended by the various vendors – including HMSA -- and the public, after the motion was made, Trustee Radcliffe asked the author of the motion if what was being offered is “a second plan, a voluntary plan, a plan which is less good and therefore cheaper?” To which the answer was “Yes.” He asked if it was understood by all that this would not be the default plan; that the default plan would continue to be the 90/10 plan? Again, the answer was “Yes.” Trustee Ho stated that is was her understanding that there will no longer be a 90/10 plan administered by HMSA and that the new alternative HMSA administered plan would mean that active employees would pay more out of pocket for visits to providers? She also stated that the only 90/10 plan option that actives would be eligible for would be administered by HMA. Trustee Radcliffe asked me, as the EUTF Administrator, if this meant that all members would have to re-enroll, and I said that it would not. I explained that those currently in the 90/10 plan would automatically be re-enrolled in that plan, and those wishing to have the new 80/20 alternative to be administered by HMSA would need to submit an enrollment form. Although other members of the public commented during the Board's discussion, the HMSA representative was silent.

September 30/October 6, 2009

In early September, HMSA wrote a letter saying that it had reconsidered its previous agreement, and now wanted the Board to rescind its previous decision and let HMSA administer both the 90/10 plan and the 80/20 plan. To deal with EUTF staff concerns that there would not be sufficient time to set up two (2) more plans in the EUTF computer system, HMSA actually proposed to eliminate two other HMSA administered plans—the High Deductible Health Plan and the HMSA HMO plan, thereby forcing those enrolled in those plans to find other coverage. That letter is attached to this press statement along with my memo to the Board recommending that it not approve the HMSA request. At the September 30th meeting of the Board, a motion was made to

reconsider the action taken the previous month. AON, the Board's professional consultant firm, also advised against making the change, and the Board voted to affirm its previous decision.

In summary, the EUTF PPO plan and certain other medical plans, along with the prescription drug plan are self-insured by the EUTF. This means the Board of Trustees determines the benefits and rates for those plans and the EUTF takes the financial risks for those plans. The respective plan administrators are paid an administrative fee. The EUTF Board of Trustees decided to offer both the current 90/10 PPO plan, and a new 80/20 PPO plan, effective January 1, 2010. The new offering was intended to give participants a lower cost comprehensive medical plan option, and was specifically requested by HGEA/AFSCME. Since HMSA has the highest enrollment in the current 90/10 plan, they were given first choice of which plan to administer. HMSA chose to administer the 80/20 plan, so the 90/10 plan was assigned to HMA. When HMSA realized that participants currently enrolled in the 90/10 plan would remain in that plan (now to be administered only by HMA) unless they submitted an enrollment form requesting the 80/20 plan, HMSA asked the Board to change its decision. The Board declined HMSA's request.

ATTACHMENT 2

Summary of EUTF Open Enrollment Communications Regarding

Current 90/10 PPO Plan and New 80/20 PPO Plan

Let's be clear about the EUTF communications. Here is what the three (3) key EUTF documents say:

Newsletter: “**NEW PLAN OFFERED: Effective January 1, 2010, Active participants have another option.** The Board of Trustees has added a new PPO medical plan option. The current 90/10 PPO plan will be administered only by HMA (Health Management Associates). The new 80/20 plan will be administered by HMSA.” Below this announcement, the newsletter has a chart (attached) that clearly shows that those now enrolled in the 90/10 PPO plan with HMSA who do not submit an enrollment form will be enrolled in the same plan, but with HMA as administrator, effective January 1, 2010. Above the chart, is a caption that states: “**Study your options before making a choice. Here are several scenarios.**”

General Notice: The second paragraph of the General Notice (distributed to all employees) reads as follows: “The Board of Trustees has added a new PPO medical plan option. The current 90/10 PPO plan will continue and will be administered only by HMA (Health Management Associates). A new 80/20 PPO plan with lower premiums will be administered by HMSA (Hawaii Medical Service Association). Study your options before making a choice. **If you currently are enrolled in the PPO plan with HMSA and you do not submit a form EC-1, Enrollment Form for Active Employees to change to the 80/20 plan, you will continue to be enrolled in the 90/10 plan under HMA (not HMSA).** [Emphasis added.] Please see the table below.” The reference table is the same table that appears in the newsletter.

Reference Guide: The Reference Guide is a comprehensive booklet distributed to all employees. The inside of the front cover of the Guide (preceding the Table of Contents) has the following bulleted statement: “**If you currently have a 90/10 PPO Plan with HMSA, this plan will change to a 90/10 plan with HMA.**” Page 5 of the Guide, under the heading “NEW PLAN OFFERED – EUTF 80/20 PPO PLAN,” reads as follows: “**Effective January 1, 2010, Active participants have another option.** The Board of Trustees has added a new PPO medical plan option. The current 90/10 PPO plan will be administered only by HMA (Health Management Associates). The new 80/20 PPO Plan with lower premiums will be administered by HMSA. **Note: “90/10” or “80/20” refers to most benefits; see page 16 or Guide to Benefits for details. Study your options before making a choice. Here are several scenarios.**” This is over the same chart that appears in the newsletter and general notice.

ATTACHMENT 2

	What if:	Then:
Current Benefit Plan		Your Plan Effective January 1, 2010
EUTF 90/10 PPO - HMSA	I do not submit the Form EC-1?	EUTF 90/10 PPO - HMA
EUTF 90/10 PPO - HMA	I do not submit the Form EC-1?	EUTF 90/10 PPO - HMA
	What if:	Then:
Current Benefit Plan	You want to change your Plan to:	Do I need to submit the Form EC-1?
EUTF 90/10 PPO - HMSA	EUTF 80/20 PPO - HMSA	Yes
EUTF 90/10 PPO - HMA	EUTF 80/20 PPO - HMA	Yes
	What if:	Then:
Current Benefit Plan	You want to keep your same benefits:	Do I need to submit the Form EC-1?
EUTF 90/10 PPO - HMSA	EUTF 90/10 PPO - HMA	No
EUTF 90/10 PPO - HMA	EUTF 90/10 PPO - HMA	No

Note: "90/10" or "80/20" refers to most benefits; see Reference Guide for Active Employees or Guide to Benefits for details.

REFERENCE DOCUMENTS

1. August 26, 2009 EUTF Board Minutes
2. September 30, 2009 EUTF Board Minutes.

Request from HMSA Regarding Plans

3. Letter to Chair from HMSA dated 9/3/09 .
4. Memorandum to BOT from Administrator dated 9/29/09

Open Enrollment Documents Sent to Employees

5. EUTF Newsletter for Active Participants, 10/2009.
6. Memorandum to DH/DPO/CPO/EO dated 11/4/09.
7. Active Reference Guide for Plan Year 2010.
8. Memorandum to DH/DPO/CPO/EO dated 10/15/09
9. Memorandum to DH/DPO/CPO/EO dated 11/3/09.
10. Memorandum to DH/Legislative Leaders/DPO/CPO/EO dated 11/5/09.

EUTF Memorandum to Insurers/Plan Administrators Regarding Open Enrollment

11. Memorandum to Carriers/Plan Administrator dated 10/16/09
12. Memorandum to Carriers/Plan Administrators dated 10/29/09.

Correspondence from Legislators, Governor and Unions

13. Letter from House of Representatives dated 11/5/09.
14. Letter from Representative Ryan Yamane dated 11/6/09.
15. Letter from Representative Roland Sagun dated 11/9/09.
16. Letter from Senate President and Chair of Senate Committee on Health dated 11/9/09.
17. Letter from HGEA, UHPA, and UPW dated 11/10/09.
18. Letter from Governor Lingle dated 11/15/09.
19. Letter from Representative Pono Chong dated 11/16/09.
20. Letter from Senator Michelle Kidani dated 11/17/09.
21. Letter from Senate dated 11/19/09.
22. Letter from Hawaii Council of Mayors dated 11/20/09.

Correspondence with HMSA

23. HMSA Letter to Physicians dated 10/30/09.
24. Letter to HMSA from EUTF dated 11/4/09.
25. Letter to Chair from HMSA dated 11/11/09.
26. Letter to HMSA from EUTF dated 11/18/09.
27. Letter to EUTF from HMSA dated 11/19/09.
28. Letter to HMSA from EUTF dated 11/20/09.
29. Ad from HMSA to Active State and County Employees for Open Enrollment.
30. Ad in Honolulu Advertiser dated 11/18/09 from Pacific Health Care (an HMSA HMO Healthcenter).