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# A BILL FOR AN ACT

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST  
FUND.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1 SECTION 1. Section 87A-23, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 **"§87A-23 Health benefits plan supplemental to medicare.**

4 The board shall establish a health benefits plan, which takes  
5 into account benefits available to an employee-beneficiary and  
6 spouse under medicare, subject to the following conditions:

7 (1) There shall be no duplication of benefits payable  
8 under medicare. The plan under this section, which  
9 shall be secondary to medicare, when combined with  
10 medicare and any other plan to which the health  
11 benefits plan is subordinate under the National  
12 Association of Insurance Commissioners' coordination  
13 of benefit rules, shall provide benefits that  
14 approximate those provided to a similarly situated  
15 beneficiary not eligible for medicare;

16 (2) The State, through the department of budget and  
17 finance, and the counties, through their respective  
18 departments of finance, shall pay to the fund a  
19 contribution equal to an amount not less than the

1 medicare part B premium, for ~~[voluntary medical~~  
2 ~~insurance coverage under medicare for]~~ each of the  
3 following who are enrolled in the medicare part B  
4 medical insurance plan: (A) an employee-beneficiary  
5 who is a retired employee, (B) an employee-  
6 beneficiary's spouse while the employee-beneficiary is  
7 living, and (C) an employee-beneficiary's spouse,  
8 after the death of the employee-beneficiary, if the  
9 spouse qualifies as an employee-beneficiary. For  
10 purposes of this section, a "retired employee" means  
11 retired members of the employees' retirement system;  
12 county pension system; or a police, firefighters, or  
13 bandsmen pension system of the State or a county as  
14 set forth in chapter 88~~[, provided that if]~~. If the  
15 amount reimbursed by the fund ~~[to the retiree]~~ under  
16 this section is less than the actual cost of the  
17 medicare part B medical insurance plan due to an  
18 increase in the medicare part B medical insurance plan  
19 rate, the fund shall reimburse ~~[the retiree]~~ each  
20 employee beneficiary and employee-beneficiary's spouse  
21 for the cost increase within thirty days of the rate  
22 change. ~~[The contribution shall be made for each:~~  
23 ~~(A) Employee beneficiary who is a retired employee;~~

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1 ~~(B) Employee beneficiary's spouse while the employee-~~  
2 ~~beneficiary is living; and~~

3 ~~(C) The employee beneficiary's spouse, after the~~  
4 ~~death of the employee beneficiary, if the spouse~~  
5 ~~qualifies as an employee beneficiary;]~~

6 Each employee-beneficiary and employee-beneficiary's  
7 spouse who becomes entitled to reimbursement from the  
8 fund for medicare part B premiums after July 1, 2006,  
9 shall designate a financial institution account into  
10 which the fund shall be authorized to deposit  
11 reimbursements. This method of payment may be waived  
12 by the fund if another method is determined to be more  
13 appropriate;

14 (3) The benefits available under this plan, when combined  
15 with benefits available under medicare or any other  
16 coverage or plan to which this plan is subordinate  
17 under the National Association of Insurance  
18 Commissioners' coordination of benefit rules, shall  
19 approximate the benefits that would be provided to a  
20 similarly situated employee-beneficiary not eligible  
21 for medicare;

22 (4) All employee-beneficiaries or dependent-beneficiaries  
23 who are eligible to enroll in the medicare part B  
24 medical insurance plan shall enroll in that plan as a

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1 condition of receiving contributions and participating  
 2 in benefits plans under this chapter. This paragraph  
 3 shall apply to retired employees, their spouses, and  
 4 the surviving spouses of deceased retirees and  
 5 employees killed in the performance of duty; and  
 6 (5) The board shall determine which of the employee-  
 7 beneficiaries and dependent-beneficiaries, who are not  
 8 enrolled in the medicare part B medical insurance  
 9 plan, may participate in the plans offered by the  
 10 fund."

11 SECTION 2. Statutory material to be repealed is bracketed  
 12 and stricken. New statutory material is underscored.

13 SECTION 3. This Act shall take effect on July 1, 2006.

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 15 INTRODUCED BY:   
 16 BY REQUEST

## JUSTIFICATION SHEET

DEPARTMENT: BUDGET AND FINANCE

TITLE: A BILL FOR AN ACT RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND.

PURPOSE: The purpose of this bill is to permit the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) to require individuals who become eligible for Medicare Part B reimbursements on or after July 1, 2006 to accept direct deposit of the reimbursements to an institution of their choice. The proposed draft also includes nonsubstantive re-ordering of the language to make the section clearer.

MEANS: Amend section 87A-23, Hawaii Revised Statutes (HRS).

JUSTIFICATION: The EUTF now has the capability to utilize direct deposit, which is widely utilized and accepted throughout the community. This provision mirrors section 88-6, HRS, regarding payment of retirement benefits by the Employees' Retirement System (ERS). It is appropriate for EUTF to have a provision similar to that of ERS. Currently, over 19,000 retirees and spouses receive reimbursements via direct deposit. This proposal assures that future recipients will utilize this efficient method.

Impact on the public: The bill will positively impact the public by reducing EUTF postage costs, since the EUTF's administrative fees are paid by the public employers (taxpayers). The bill will positively impact employee-beneficiaries by reducing the cost of handling checks, minimizing potential lost or stolen checks, and eliminating the need to physically depositing checks.

Impact on the department and other agencies:

Direct deposit of Medicare Part B reimbursements are projected to decrease the operating costs of the EUTF by approximately \$30,000 yearly in postage and mailing materials. By requiring direct deposit for all future retirees, this bill will result in additional costs savings. As such, the bill will decrease the EUTF's administrative costs that are currently paid by the public employers. The bill will eliminate mailing of approximately 17,000 checks at the end of the fifth year by the Department of Accounting and General Services (DAGS).

GENERAL FUND: None.

OTHER FUNDS: As noted above, the bill will decrease the operating costs of the EUTF that are currently funded by the public employers' contributions to the EUTF.

PBBS PROGRAM DESIGNATION: None.

OTHER AFFECTED AGENCIES: DAGS already processes direct deposits for EUTF. Other agencies will not be affected.

EFFECTIVE DATE: July 1, 2006.