
HOUSE CONCURRENT RESOLUTION

REQUESTING THE AUDITOR TO CONDUCT A STUDY ON VOLUNTARY
EMPLOYEES' BENEFICIARY ASSOCIATIONS TO DETERMINE THEIR
FEASIBILITY AS VIABLE HEALTH INSURANCE PLANS FOR PUBLIC
EMPLOYEES, RETIREES, AND THEIR DEPENDENTS.

1 WHEREAS, rising health care costs, inflation, and an aging
2 workforce have seriously threatened the State's fiscal ability
3 to provide health benefits to Hawaii's approximately 83,000
4 active and retired public employees, as well as their
5 dependents; and
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7 WHEREAS, to safeguard the strength of the public employees'
8 health benefits system, the Legislature passed Act 88, Session
9 Laws of Hawaii 2001 (Act 88), which created the Hawaii Employer-
10 Union Health Benefits Trust Fund (Trust Fund); and
11

12 WHEREAS, with the goal of obtaining lower insurance rates
13 with benefits equal to or better than the community standard,
14 the Trust Fund grouped all public employees and retirees into
15 one large pool of consumers, thereby increasing the
16 attractiveness of the state system to insurers and providing the
17 State with greater bargaining power; and
18

19 WHEREAS, under Section 501(c)(9) of the Internal Revenue
20 Code (IRC), a tax-exempt Voluntary Employees' Beneficiary
21 Association (VEBA) can be established to provide life, accident,
22 medical, or other benefits to members of the VEBA or their
23 dependents; and
24

25 WHEREAS, proponents of VEBAs claim that by having a smaller
26 consumer pool and tailor-made benefit packages, health care
27 costs can be better controlled; and



1 WHEREAS, the Hawaii State Teachers Association currently
2 has a VEBA Trust, which offers union members health insurance
3 benefits; and
4

5 WHEREAS, VEBAs are established pursuant to Act 245, Session
6 Laws of Hawaii 2005, and controlled by the State, and are
7 subject to federal requirements under the IRC and the Employees
8 Retirement Income Securities Act; and
9

10 WHEREAS, by maintaining both VEBAs and the newly-created
11 Trust Fund, duplication of administrative services may occur,
12 creating additional costs for the State; and
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14 WHEREAS, if VEBAs are proven to be cost-effective for the
15 State, it may be beneficial for the State to allow other
16 employee representatives to establish their own VEBAs, thereby
17 further reducing costs to employees and the State while
18 increasing benefits for employees; now, therefore,
19

20 BE IT RESOLVED by the House of Representatives of the
21 Twenty-fourth Legislature of the State of Hawaii, Regular
22 Session of 2007, the Senate concurring, that the Auditor is
23 requested to conduct a study on VEBAs to determine their
24 feasibility as viable health insurance plans for public
25 employees, retirees, and their dependents; and
26

27 BE IT FURTHER RESOLVED that the Auditor is requested to
28 determine the costs and benefits of VEBAs, including the VEBA
29 currently operated by the Hawaii State Teachers Association, and
30 whether it would be beneficial for the State to establish VEBAs
31 for its bargaining units and dissolve the Trust Fund; and
32

33 BE IT FURTHER RESOLVED that the Auditor is requested to
34 include in its report the ramifications of the coexistence of
35 both a VEBA and the Trust Fund and whether such coexistence is a
36 feasible option; and



1 BE IT FURTHER RESOLVED that the Auditor submit its report,
 2 findings, and recommendations to the Legislature no later than
 3 20 days prior to the convening of the Regular Session of 2008;
 4 and

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 6 BE IT FURTHER RESOLVED that a certified copy of this
 7 Concurrent Resolution be transmitted to the Auditor and the
 8 Chair of the Board of Trustees of the Hawaii Employer-Union
 9 Health Benefits Trust Fund and the President of the Hawaii State
 10 Teachers Association.
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OFFERED BY:

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