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## HOUSE RESOLUTION

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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

6  
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

28 WHEREAS, the Hawaii State Teachers Association currently  
29 has a VEBA Trust, which offers union members health insurance  
30 benefits; and



1 WHEREAS, VEBAs are established pursuant to Act 245, Session  
2 Laws of Hawaii 2005, and controlled by the State, and are  
3 subject to federal requirements under the IRC and the Employees  
4 Retirement Income Securities Act; and  
5

6 WHEREAS, by maintaining both VEBAs and the newly-created  
7 Trust Fund, duplication of administrative services may occur,  
8 creating additional costs for the State; and  
9

10 WHEREAS, if VEBAs are proven to be cost-effective for the  
11 State, it may be beneficial for the State to allow other  
12 employee representatives to establish their own VEBAs, thereby  
13 further reducing costs to employees and the State while  
14 increasing benefits for employees; now, therefore,  
15

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

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

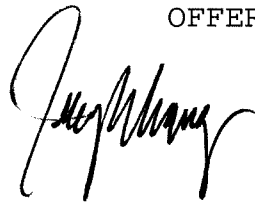
29 BE IT FURTHER RESOLVED that the Auditor is requested to  
30 include in its report the ramifications of the coexistence of  
31 both a VEBA and the Trust Fund and whether such coexistence is a  
32 feasible option; and  
33

34 BE IT FURTHER RESOLVED that the Auditor submit its report,  
35 findings, and recommendations to the Legislature no later than  
36 20 days prior to the convening of the Regular Session of 2008;  
37 and

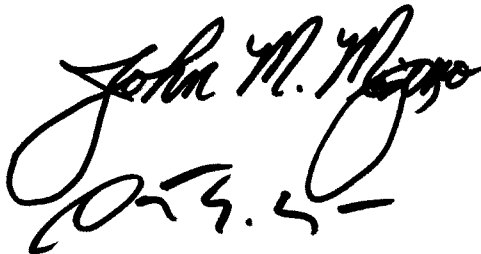



1 BE IT FURTHER RESOLVED that a certified copy of this  
 2 Resolution be transmitted to the Auditor and the Chair of the  
 3 Board of Trustees of the Hawaii Employer-Union Health Benefits  
 4 Trust Fund and the President of the Hawaii State Teachers  
 5 Association.

OFFERED BY:



Kirk Caldwell

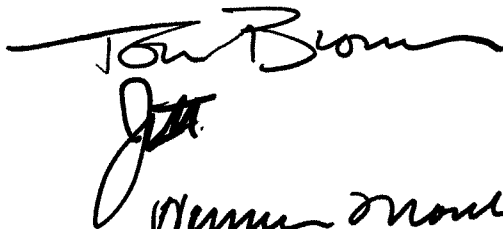


  
 Karen Awana



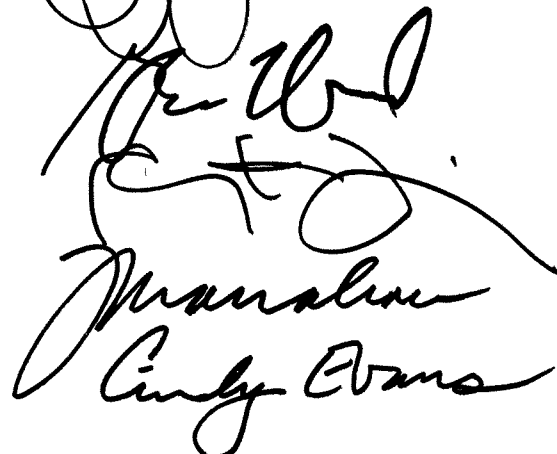


Donna C. Belatti



Tom Brown





MAR 09 2007

