

Honolulu, Hawaii
Feb 15, 2008

RE: H.B. No. 2481
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 2481 entitled:

"A BILL FOR AN ACT RELATING TO HEALTH,"

begs leave to report as follows:

The purpose of this measure is to make permanent the Voluntary Employees' Beneficiary Association (VEBA) Trust program.

The Hawaii State Teachers Association (HSTA) and many concerned teachers testified in support of this bill. The Department of Human Resources Development, Department of Budget and Finance, Department of Finance of the County of Hawaii, Administrator of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF), and EUTF Board of Trustees opposed this measure.

Act 245, Session Laws of Hawaii 2005 (Act 245) authorized the establishment of a pilot program for the establishment of VEBA trusts with the hopes that this would provide valuable insight to the viability of VEBA trusts as a health care cost-savings mechanism for the State. However, difficulties faced by HSTA in starting up their VEBA Trust pilot program caused unforeseen delays in implementation of the program. Although Act 245 became effective in 2005, the program itself did not begin providing services until March 1, 2006. This resulted in a time frame that was believed to be insufficient to complete a thorough cost benefit analysis of this program and report back to the Legislature. Thus, in 2007, Act 294, Session Laws of Hawaii 2007



(Act 294) was enacted to allow more time for a thorough analysis to be completed. Act 294 required an employee organization that established a VEBA trust in 2006 to submit a report to the Legislature on the status of the trust no later than 150 days after two full years of implementation. As such, HSTA's VEBA trust will be required to submit a report to the Legislature by November of 2008.

According to HSTA, reports on the first full plan year for active members which covered the first 16 months of operation were recently submitted to the Legislature and indicate that employer savings from VEBA equaled \$2.1 million from March 2006 to June 2006 and is expected to be \$2.3 million from July 2006 to June 2007. However, your Committee notes that EUTF reported that had HSTA members remained in EUTF and not transferred to the VEBA trust, the budget for the preferred provider option under EUTF would have been lower by approximately 4.3 percent amounting to an overall premium reduction of approximately \$8.6 million.

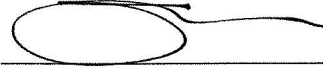
Although your Committee understands the concerns raised by opponents of the measure that the actual impacts of the VEBA trust is not yet known and finds that the Auditor's report requested during the Regular Session of 2007 to study the impacts of Act 245 has yet to be completed, this matter deserves further consideration. Accordingly, your Committee has amended this bill by:

- (1) Changing its effective date to July 1, 2009, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2481, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2481, H.D. 1, and be referred to the Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committee on Labor & Public
Employment,

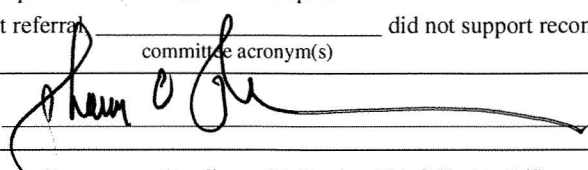


ALEX M. SONSON, Chair



State of Hawaii
House of Representatives
The Twenty-fourth Legislature

Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: HB 2481	Committee Referral: LAB, FIN	Date: 2/8/08		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
LAB Members	Ayes	Ayes (WR)	Nays	Excused
1. SONSON, Alex M. (C)	✓			
2. NAKASONE, Bob (VC)				X
3. EVANS, Cindy	✓			
4. HAR, Sharon E.	✓			
5. LEE, Marilyn B.	✓			
6. LUKE, Sylvia	✓			
7. McKELVEY, Angus L.K.				X
8. NISHIMOTO, Scott Y.	✓			
9. SOUKI, Joseph M.	✓			
10. TAKAMINE, Dwight Y.	✓			
11. TAKUMI, Roy M.	✓			
12. MEYER, Colleen Rose		X		
13. PINE, Kymberly Marcos		X		
TOTAL (13)	9	2		2
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted _____ did not support recommendation. <small>if joint referral committee acronym(s)</small>				
Vice Chair's or designee's signature: 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office				