

Honolulu, Hawaii

March 19, 2008

RE: S.B. No. 2262  
S.D. 1  
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 S.B. No. 2262, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO HEALTH,"

begs leave to report as follows:

The purpose of this bill is to ensure the continuous provision of health benefits for teachers belonging to bargaining unit 5, as well as future retirees of that bargaining unit, and existing retirees who participate in the Voluntary Employees' Beneficiary Association (VEBA) Trust, by extending the sunset date for the VEBA Trust pilot program to July 1, 2011.

The Hawaii State Teachers Association (HSTA), Hawaii State Teachers Association-Retired, HSTA Member Benefits Corporation, and many concerned teachers testified in support of the intent of this bill but requested that the VEBA Trust be made permanent rather than simply extended. The Department of Human Resources Development, Department of Budget and Finance, Administrator of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF), and EUTF Board of Trustees opposed this measure. The Department of the Attorney General and a concerned individual provided comments.

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 into the viability of VEBA trusts as a health care cost-savings



mechanism for the State. However, difficulties faced by HSTA in starting up the 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 to 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. Therefore, 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 are 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, the option of making the VEBA Trust permanent deserves further consideration. As such, your Committee has amended this measure by deleting its contents and replacing it with the language contained in H.B. No. 2481, H.D. 1. As amended, this measure ensures the continuous provision of health benefits for teachers and current and future teacher retirees who participate in the VEBA Trust by:

- (1) Providing any retiree who, prior to July 1, 2008, declined the option to transfer from participation in the EUTF to VEBA, a final one-time option to transfer participation; and
- (2) Making VEBA a permanent program by repealing its sunset date of July 1, 2009.



Your Committee has further amended the provisions of H.B. No. 2481, H.D. 1, by:

- (1) Changing the effective date from July 1, 2059, to upon its approval; 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 S.B. No. 2262, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2262, S.D. 1, 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

1201-08

**Record of Votes of the Committee on Labor & Public Employment**

<b>Bill/Resolution No.:</b> SB 2262, SD1	<b>Committee Referral:</b> LAB, FIN	<b>Date:</b> 03-11-08		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
<b>The recommendation is to:</b> <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)	y			
2. NAKASONE, Bob (VC)				x
3. EVANS, Cindy	x			
4. HAR, Sharon E.				x
5. LEE, Marilyn B.	x			
6. LUKE, Sylvia				x
7. McKELVEY, Angus L.K.	y			
8. NISHIMOTO, Scott Y.				y
9. SOUKI, Joseph M.	x			
10. TAKAMINE, Dwight Y.	y			
11. TAKUMI, Roy M.	x			
12. MEYER, Colleen Rose				x
13. PINE, Kymberly Marcos				x
<b>TOTAL (13)</b>	7	0	0	6
<b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
If joint referral _____ did not support recommendation. <small>committee acronym(s)</small>				
<b>Vice Chair's or designee's signature:</b>				
<b>Distribution:</b> Original (White) – Committee		Duplicate (Yellow) – Chief Clerk's Office		