

LINDA LINGLE
GOVERNOR



MARIE C. LADERTA
DIRECTOR

CINDY S. INOUE
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
235 S. BERETANIA STREET
HONOLULU, HAWAII 96813-2437

March 10, 2008

TESTIMONY TO THE
HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
For Hearing on March 11, 2008
9:00 a.m., Conference Room 309

BY

MARIE C. LADERTA, DIRECTOR

WRITTEN TESTIMONY ONLY

S.B. No. 2262, S.D. 1
Relating to Health

TO CHAIRPERSON SONSON AND MEMBERS OF THE COMMITTEE:

The stated purpose of the S.B. No. 2262, S.D. 1 is to extend the sunset date to July 1, 2011, for voluntary employees' beneficiary association (VEBA) trusts pilot program established pursuant to Act 245, SLH 2005, as amended. The measure also provides retirees that declined the option to transfer from the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) to the VEBA Trust prior to July 1, 2010, another opportunity to make the transfer.

The Department of Human Resources Development **opposes** this measure.


The intent of Act 245, SLH 2005, was to allow employee organizations to establish a VEBA trust to provide health benefits for their members on a three-year pilot project basis to allow for the analysis of the costs and benefits of the VEBA trust against those of the Hawaii Employer Union Health Benefits Trust Fund (EUTF). Act 245 was initially to sunset on June 30, 2008, however, last session Act 294, SLH 2007, extended the sunset date for the pilot program for an additional year from June 30, 2008 to June

30, 2009. Furthermore, pursuant to Act 294, SLH 2007, the employee organization that established a VEBA trust in March, 2006 shall submit a report to the legislature on the status of the trust no later than 150 days after two full years of the trust's implementation. As such, the HSTA VEBA trust, which was established in March, 2006, will be required to submit a report to the legislature at the end of November 2008.

Senate Concurrent Resolution 178 was also adopted during the 2007 legislative session which requested that the legislative auditor conduct a study on the impact of VEBA trusts on public employees and employers and provide a basis for the legislature to decide whether to extend Act 245, SLH 2005. That study has yet to be completed. Therefore, passage of this measure is premature. Completion of the comprehensive study required by SCR 178 will document and validate the merits of VEBA Trusts and whether extension beyond the current June 30, 2009 sunset date is warranted.

Accordingly, we respectfully oppose this measure and recommend that the Committee hold this measure. Thank you for the opportunity to provide testimony.

Respectfully submitted,


for MARIE C. LADERTA
Director

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
ON
SENATE BILL NO. 2262, SENATE DRAFT 1

March 11, 2008

RELATING TO HEALTH.

Senate Bill No. 2262, Senate Draft (SD) 1 amends Act 245, Session Laws of Hawaii (SLH) 2005 as amended by Act 294, SLH 2007, to extend the pilot Voluntary Employees' Beneficiary Association Trust, (VEBA Trust) established in March 2006 for two (2) additional years through June 30, 2011. The measure also provides retirees that declined the option to transfer from the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) to the VEBA Trust prior to July 1, 2010, another opportunity to make the transfer.

The Department of Budget and Finance opposes this measure.

The VEBA Trust was established as a pilot project and structured to provide health benefits to actives, new retirees and any existing retirees that make a one-time election to participate. The purpose clause of Act 245, SLH 2005 declares that the VEBA is intended to be a cost containment measure and that the pilot period would allow for a thorough analysis of costs and benefits of the VEBA trust as compared with the EUTF. Act 245 cites a lack of available data to fully determine the impact of the VEBA trust on the EUTF. Act 245 was initially to sunset on June 30, 2008 but last session Act 294, SLH 2007 extended the sunset date for the pilot program for an additional year from June 30, 2008 to June 30, 2009.

Senate Concurrent Resolution 178 was also adopted during the 2007 legislative session and calls for the Legislative Auditor to conduct a comprehensive study on the

results and impact of Act 245 and to report its findings to the 2008 Legislature. The study would include impacts on the memberships of the Hawaii State Teachers Association (HSTA) and EUTF, public employees ineligible to join a VEBA, public employers, the operations of the EUTF both historically and prospectively, pre-funding issues under GASB 43 and 45, and various VEBA/EUTF co-existence scenarios. To date, the study has not been completed.

The Department believes that the study is the critical and missing component of Act 245. The study would provide the necessary information for a decision on the most cost effective means of providing health benefits for public employees, retirees and their dependents **as a whole** and not just improved benefits and lower cost for a select group under a VEBA. Passage of this measure is premature. Completion of the comprehensive study required by SCR 178 will document and validate the merits of VEBA Trusts and whether extension beyond the current June 30, 2009 sunset date is warranted.

The Department has long held that a single health benefit delivery system provides employers, employee-beneficiaries and ultimately the taxpayer with the most cost effective and long-term sustainable alternative.

TESTIMONY BY JIM WILLIAMS
ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST
FUND, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
ON
SENATE BILL 2262, S.D. 1

9:00 A.M., March 11, 2008

RELATING TO HEALTH

Chairperson Sonson and Members of the Committee:

My name is Jim Williams, and I am Administrator of the Hawaii Employer-Union Health Benefits Trust Fund (also known as the EUTF). Thank you for this opportunity to present this testimony in opposition to Senate Bill 2262, S.D. 1.

The EUTF provides health and life insurance benefits to approximately 91,000 public employees and retirees (54,000 actives and 37,000 retirees). EUTF is governed by a ten-member Board of Trustees.

This bill revises Act 245 (SLH 2005) to extend the sunset date by two years to June 30, 2011. The EUTF Board of Trustees, at its meeting of January 30, 2007, voted unanimously (with nine Trustees present) to oppose this bill in its original form. In the past the Board has voted to oppose any extension of Act 245.

The EUTF opposes this bill because the Trustees believe that the EUTF can best provide health benefits for public employees and retirees and that VEBAs adversely affect the EUTF. Attached is testimony presented last session by the Chair of the Board of Trustees to the Senate Committee on Judiciary and Labor at an informational briefing on February 27, 2007 that summarizes the accomplishments of the EUTF since it began

providing benefits on July 1, 2003. Last year, the EUTF consultant calculated that the EUTF budget for the PPO plan would have been lower by about 4.3% (amounting to an overall premium reduction of \$8.6 million) if bargaining unit 5 members had remained in the EUTF rather than transferring to the HSTA VEBT. Also, the EUTF administrative fees are higher on a per capita basis than they would be if bargaining unit 5 members were part of the EUTF. Under current and recently approved collective bargaining agreements, the employers pay the EUTF administrative fees. It should be noted that last year, the Legislature passed SCR 178 requesting that the auditor study the impact of Act 245, and that study has yet to be completed. It would be premature to extend Act 245 or make it permanent prior to receiving the results of the study.

Thank you for this opportunity to present this testimony in opposition to SB 2262, S.D. 1. I will be pleased to answer any questions from members of the Committee.

**TESTIMONY BY MARK RECKTENWALD
CHAIR, BOARD OF TRUSTEES
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR
INFORMATIONAL BRIEFING - ISSUES AND CHALLENGES RELATED TO
THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND (EUTF)**

FEBRUARY 27, 2007

INTRODUCTORY REMARKS ON PROGRESS OF EUTF

Good morning Chair Hee, Vice-Chair Kokubun, and Members of the Committee.

My name is Mark Recktenwald, and I am Chair of the Board of Trustees of the Hawaii Employer-Union Health Benefits Trust Fund (also known as the EUTF). Thank you for providing this opportunity to present this briefing on the progress of the EUTF to date.

Before proceeding and with your permission, I would like to introduce members of our Board of Trustees who were able to be here for this briefing: George Kahooohanohano, Liz Ho, and John Radcliffe represent employees and Marie Laderta, Stan Shiraki and I represent public employers. The position of chair (and other officers) rotates annually between the two groups of Trustees. I became chair in July 2006, and John Radcliffe preceded me as chair. Any action of the Board of Trustees requires two affirmative votes, with one vote being cast by at least

three employee Trustees and one vote being cast by at least three public employer Trustees. All Trustees are appointed by the Governor, with the employee Trustees being appointed from a list of nominees submitted by the exclusive representatives (public employee unions).

Also with me today are Jim Williams, the EUTF Administrator and John Garner of Garner Consulting, the benefit plan consultant retained to advise the Board of Trustees. Mr. Williams and Mr. Garner are prepared to address the details of the items on today's agenda.

EUTF was established with the passage of Act 88 (SLH 2001). Conference Committee Report No. 124 on SB 1044 that became Act 88 states that its purpose was "to establish a single health benefits delivery system for State and county employees, retirees, and their dependents." It further indicates that the Legislature wanted to ensure the solvency of the predecessor Public Employees Health Fund and the new EUTF and to address the spiraling cost of health benefits for public employees and retirees. Act 88 (codified as chapter 87A HRS) itself mandates the Board to carry out several specific purposes and states that "health and other benefit plans shall be provided at a cost that is affordable to both public employers and the public employees."

I would respectfully suggest that the EUTF has achieved the vision set forth by the Legislature. From the effective date of the first EUTF plans on July 1, 2003 until today, the EUTF has succeeded in providing health benefits to public employees and retirees through a single delivery system. The only exception is that HSTA implemented its VEBA plans in March 2006, as authorized under Act 245 (SLH 2005) enacted by this Legislature. The EUTF has met its mandate of keeping costs affordable for both employees and employers. Let me note that cost control and cost containment is a dynamic and ongoing effort, and our Board of Trustees constantly seeks additional strategies and methods to stabilize benefit costs. The EUTF began in a solvent position and has steadily improved its financial position. Today, the EUTF has cash and short-term investments totaling over \$94 million and net assets of approximately \$50 million.

Let me take a few moments to highlight the accomplishments of the EUTF:

- 1) Meeting the July 1, 2003 start up date set forth in Act 88 was a major achievement. Although I did not join the board until July 2003, my understanding is some observers had doubted that the EUTF would be able meet that deadline, given

the many tasks that had to be completed in a very short timeframe. The original Board of Trustees met for the first time in January 2002. By April 2003 they had hired an administrator and consultant, adopted administrative rules and awarded contracts for benefit plans. That spring, the first open enrollment was conducted, and the new benefits plans were implemented effective July 1, 2003.

- 2) In January 2004 EUTF held a special open enrollment offering two new supplementary (dual coverage) plans to meet the needs of employees who are covered by their spouses through non-public employers.
- 3) In June 2005 the Board of Trustees announced a rate rollback for retirees enrolled in HMSA effective immediately (July 1) with the coming plan year. Estimated savings from that rollback was \$5.2 million.
- 4) A one-month premium holiday for active employees enrolled in the HMSA plan also was negotiated with HMSA and announced in June 2005, and then implemented in December 2005. Neither employers nor employees paid premiums that month. The

premium holiday amounted to an 8% reduction in the annual premium, with savings amounting to about \$8 million for employees and \$12 million for employers.

- 5) Effective July 1, 2006 lower retiree rates again were negotiated. Even though retiree rates will be increased effective July 1, 2007, they will remain below the level of July 1, 2004.
- 6) Effective July 1, 2007 the EUTF PPO medical plans and bundled prescription drug plan will be offered through self-funded contracts, rather than insured contracts. Through the self-funded approach the Board of Trustees now has direct control of both rates and benefits. Initially, this has enabled the Board to keep rates lower, as reflected in an overall 4% - 6% reduction in PPO medical/drug rates for active employees amounting to savings of about \$8 million.
- 7) Also effective July 1, 2007 the EUTF will offer two new HMO plans, an additional PPO medical plan option, and a High Deductible Health Plan (HDHP). HMO enrollees now can choose between two Kaiser plans and an HMSA plan. PPO enrollees will be able to get the same benefits from either of two

plan administrators, HMSA or HMA. The high deductible health plan will have a lower premium than the PPO plans and will enable enrollees who meet federal requirements to establish Health Savings Accounts (HSA).

In its short history, the EUTF has made great strides toward realizing the potential its creators envisioned. With the continuing support of this Legislature, the current Board of Trustees is committed to continuing that progress. Again, I want to thank the Chair and the members of the Committee for this opportunity.

At this time, let me turn the presentation over to our Administrator, Jim Williams and to our benefit consultant, John Garner. We then look forward to answering the Committee's questions.



TESTIMONY OF THE STATE ATTORNEY GENERAL TWENTY-FOURTH LEGISLATURE, 2008

ON THE FOLLOWING MEASURE:

S.B. NO. 2262, S.D. 1, RELATING TO HEALTH.

BEFORE THE:

HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

DATE: Tuesday, March 11, 2008 **TIME:** 9:00 AM

LOCATION: State Capitol, Room 309

Deliver to: Vice-Chair, Room 424, 5 Copies

TESTIFIER(S): Mark J. Bennett, Attorney General
Or Brian Aburano, Deputy Attorney General

Chair Sonson and Members of the Committee:

The Attorney General has comments regarding this bill as currently written.

This bill seeks to amend Act 245, Session Laws of Hawaii 2005 ("Act 245"), to extend the Act's sunset date to July 1, 2011, to make certain conforming amendments, and to make certain technical non-substantive amendments for the purposes of clarity, consistency and style. Act 245 temporarily permits employee organizations to form voluntary employee benefit association trusts ("VEBA trusts") that provide health benefits to their members outside of the Hawaii employer-union health benefits trust fund ("EUTF").

The stated purpose of Act 245 is to allow the establishment of a VEBA trust pilot program for three years to conduct a thorough analysis of the costs and benefits of a VEBA trust against the EUTF to determine what actual savings could be realized through VEBA trusts. See section 1 of Act 245. Act 245 initially was to sunset on June 30, 2008. See section 8 of Act 245. In the 2007 legislative regular session, the Legislature enacted Act 294, which amended section 8 of Act 245 to extend the sunset date to July 1, 2009, and to limit the VEBA trust pilot program to VEBA plans that began in March 2006. See Stand. Com. Rep. No. 1328, Senate

Committee on Judiciary and Labor. Act 294 also amended Act 245 to add a new section that read:

"Any employee organization that establishes a voluntary employees' beneficiary association trust in March, 2006 and pursuant to this Act shall submit a report to the legislature on the status of the trust no later than one hundred fifty days after two full plan years of the trust's implementation, and annually thereafter. A plan year is defined as the twelve-month period from July 1 through June 30."

See section 7A of Act 294 [codified as section 87D-5.5, Hawaii Revised Statutes].

First, the bill contains some typographical errors that appeared in the original Act 245 and were corrected by the revisor of statutes in the current chapter 87D, Hawaii Revised Statutes. To conform to those corrections, the following changes should be made to this bill: on page 14, lines 10 and 15, change "regulated" to "related"; on page 16, line 5, change "regulated" to "related"; on page 20, line 18, add the word "and" before the words "the counties"; and on page 22, line 9, add a comma after the words "budget and finance."

Second, it should be noted that the bill does not delete section 7A of Act 245, as amended by Act 294. Therefore, while the bill does not expressly include that section, it will remain part of Act 245 if this bill is enacted in its present form.

TESTIMONY BEFORE THE HOUSE COMMITTEE ON
LABOR & PUBLIC EMPLOYMENT

RE: SB 2262, SD 1 – RELATING TO HEALTH

MARCH 11, 2008

MAURICE MORITA
HAWAII STATE TEACHERS ASSOCIATION

Chair Sonson and Members of the Committee:

I wanted to share my comments I presented to the Senate Judiciary and Labor Committee last week.

Chair Taniguchi asked me to put my comments in writing at the Hearing held on Thursday, Feb. 14, 2008, in Room 016.

The State Senate and the AG Office when they first crafted this VEBA Trust bill did a good job to protect the Employer as well as the Members of the HSTA.

The Legislature does not need to extend Act 245 because of the following:

THE ISSUE ON VEBA TRUST PERMANENCY:

- *Do we need to be extended? No, because the VEBA Trust will exist every two years via collective bargaining. It is not “permanent” as some may think it will be.*
- *VEBA Trust is negotiated by collective bargaining every two years. If the HSTA or the Employer does not want to continue with VEBA Trust, the current law states if VEBA Trust ceases to exist, all members will be return to the EUTF.*
- *The purpose of VEBA Trust is to save the Employer as well as the Members money. If the VEBA Trust cost more than the EUTF, why would HSTA want to continue with their VEBA Trust if our members cost would be less for health benefits with the EUTF.*
- *If there is any wrong doings by the VEBA Trust, the law gives the Attorney General to investigate any allegations and could in essence, close down the VEBA Trust.*

THE ISSUE OTHER PUBLIC EMPLOYEES UNIONS WILL FORM A VEBA TRUST:

- *When Senator Hee, Chair of the Judiciary and Labor, extended the VEBA Trust to 2009, it also stated one must have a VEBA Trust as of March 1, 2007. In essence,*

this closed the doors for other public employees unions to form a VEBA Trust. Only UPW has a VEBA Trust like HSTA, but the Attorney General ruled that UPW will need to form a VEBA Trust with every unit they represent and could not put them into one trust with other collective bargaining units. UPW also represents private and public employees and would have to deal with the Taft-Hartley that deals with health trusts in the private sector.

- *If any other public employee wants to form a VEBA Trust, they must amend the law to allow them to form a VEBA Trust.*

THE ISSUE ON POLICY TO HAVE A SINGLE HEALTH PLAN FOR ALL STATE AND COUNTY EMPLOYEES:

- *The EUTF Trustees allowed SHOPO to be separated from the other four public employees unions in the EUTF (HGEA; UPW; UHPA & the FireFighters). The reason SHOPO used was to help attract and retain its police officers because their rates are better if they stand alone.*
- *This is the same issue HSTA has, to attract and retain public school teachers, we must provide our members with cost savings in the health benefit plans.*
- *The Employer will benefit from the VEBA Trust savings (the difference between the EUTF cost vs. the VEBA Trust cost). We have reimbursed the Employer \$1.2 million for the first four months of our plan year (March 1, 2006 to June 30, 2006). I am attaching copies of the checks given to Budget and Finance.*
- *Our VEBA Trust Consultant “estimates” we will return approximately \$2.3 million for the first full plan year from July 1, 2006 to June 30, 2007.*

THE ISSUE ON THE RETIREES:

- *The VEBA Trust has always welcomed retirees into the VEBA Trust. As of March 1, 2006, any member who retires from that date on will automatically be in the VEBA Trust.*
- *Why we enrolled only approximately 1,000 of the current retirees? Because it’s a “pilot” for two or three years, the current retirees don’t want to sign up for a plan for only two years. If the sunset is lifted, the bill asks to give the current retirees another one time option to join the VEBA Trust.*
- *What about the cap for retirees? The VEBA Trustees as well as the EUTF Trustees have the fiduciary responsibility to one of the following options:*
 1. *Have the benefits adjusted to equal the cap (it may mean less benefits)*
 2. *Keep the same benefits but if the cost is higher than the cap, the retiree pays the difference.*
- *Would the VEBA Trust have the retirees pay the difference? The VEBA Trustees will have to make the determination as to what will done. The VEBA Trustees are made up of two retirees, and the rest are active members of HSTA.*

THE ISSUE OF COMPETITION FOR THE EUTF:

- *The EUTF have experience better rates for their members because of the competition when VEBA Trust was implemented on March 1, 2006.*
- *The EUTF have approximately \$160 millions in their reserves from cost savings, so how can one say the VEBA Trust have cost the EUTF more. The EUTF have saved money to its Members as well as to the Employer because of “competition.”*
- *Why do we need competition? As everyone knows, we have only one “Fee for Service” health carrier that can handle a large group, HMSA. Without competition, HMSA costs would have rise for the EUTF, instead, the cost have gone down because of competition from the VEBA Trust.*

Thank you for the opportunity for me to add my comments to our testimony.

To: Representative Alex Sonson
Subject: Testimony on Senate Bill 2262 SD1

House Committee on Labor & Public Employment
Tuesday, March 11, 2008
State Capitol
415 South Beretania Street
Conference Room 309
9:00 a.m.

**Re: Testimony in Support of SB2262 SD1, Relating to VEBA;
Bargaining Unit 5; Sunset Repeal**

Honorable Chairperson Sonson and members of the committee, thank you for accepting my testimony.

The 3200 member Hawaii State Teachers Association-Retired Oahu District strongly SUPPORTS THE ORIGINAL INTENT of SB 2262, which would REPEAL the SUNSET date of the HSTA VEBA Trust Pilot Program, in effect making the VEBA Trust permanent.

Retirees who switched from the EUTF to the HSTA VEBA during the enrollment period from October to November 2006, did so because they knew that they would receive better benefits under the HSTA VEBA. They remembered that their medical plans under the VEBA were better than what was provided by the EUTF, and at a lower cost. As an added benefit, retirees knew that they could count on the VEBA Trust to respond quickly whenever a Trust beneficiary called with a concern or question. They knew that the VEBA Trustees would continue to explore ways to improve their medical, dental, drug, and vision plans.

Retirees have already reaped the benefits of their participation in the VEBA through lower co-pays for medical benefits and a simpler two tier drug plan, and the inclusion of a chiropractic plan, and they definitely want their benefits to continue into the future. REMOVING THE SUNSET would encourage non-VEBA teacher retirees the opportunity to opt into the VEBA since they would be given a one-time option to do so.

Teacher retirees are worried that their improved benefits under the HSTA VEBA will cease if they are forced to return to the EUTF with the sunset of

the VEBA in 2011 as proposed in SD1, and would like the House Committee on Labor and Public Employment to insert the original language of SB2262 which would REMOVE the SUNSET. Though they appreciate the extension, as it is now proposed in SD1, the retirees I have personally talked to would like to see the SUNSET REMOVED PERMANENTLY.

That being said, I humbly ask that you please support SB2262 SD1, and add the language to REMOVE instead of extend the Sunset to 2011.

Sincerely,

Vaughn Tokashiki, Oahu District President
Hawaii State Teachers Association – Retired

The House Committee on Labor and Public Employment
Representative Alex Sonson, Chair
415 S. Beretania Street
Tuesday, March 11, 2008
Conference Room 309
9:00 AM

Chair Sonson and members of the House Committee on Labor and Public Employment;

Please accept my testimony in SUPPORT of the original SB 2262 SD 1 which would have removed the sunset date for the HSTA VEBA. As a teacher retiree, I joined VEBA during the one-time window of enrollment and have been very satisfied with the health coverage and the service that have been provided. It makes a huge difference when I can personally speak to someone who knows and understands my concerns from a teacher's experience and viewpoint. Please repeal the sunset and make VEBA permanent for us.

Thank you for this opportunity to testify.

Sincerely,
Lorraine M. Hora
HSTA-Retired
648 Hinano Street
Hilo, HI 96720

Wil Okabe
Teacher
Hilo High School

House Committee on Labor & Public Employment

Tuesday, March 22, 2008

9:00 a.m.

SB 2262, SD 1

Chair Sonson and Members of the Committee:

My name is Wil Okabe and I am a teacher at Hilo High School. I would like to support SB 2262, SD1 with the following amendments:

1. Insert HB 2481 contents as a SD 2 without a defective date but as of July 1, 2008

I support the HSTA VEBA Trust because it saves the State money and able to give the teachers an opportunity to get the best health care possible. This will also help our recruiting and retention of our public school teachers. As you know Hawaii has the highest cost of living in our country and with VEBA we can maintain an equal playing field for teachers to remain here in Hawaii.

Thank you for the opportunity to testify

Aloha,

wil

TESTIMONY BEFORE THE HOUSE COMMITTEE ON LABOR AND PUBLIC
EMPLOYMENT
RE: SB 2262 SD1 - RELATING TO HEALTH
March 9, 2008

Angie Miyashiro, Teacher, Hilo High School
HAWAII STATE TEACHERS ASSOCIATION

Chair Alex Sonson, Vice Chair Bob Nakasone and Members of the Committee

As a teacher I support SB 2262 SD1 which repeals the sunset date of Act 245 SLH 2005 as amended that provides for the permanent establishment of VEBA to offer health benefits for my co-workers and myself.

I believe that the VEBA trust provides an effective means of containing health care costs for its members and the State of Hawaii. I respectfully request your favorable consideration of SB 2262 *SD1*.

Sincerely,
Angie Miyashiro

Committee on Labor and Public Employment

SB 2262 SD 1

March 11, 2008

Chair Sonson and Members of the Committee:

My name is Beverly Gotelli, a recent retiree of the State and a member of the Hawaii State Teachers Association - Retirees.

I am writing in support of the intent of SB 2262, SD 1 which lifts the sunset and make VEBA permanent and would allow retirees in the EUTF another opportunity to join the VEBA Trust.

As a recent retiree, I can tell you as an active member of HSTA our medical plan under the VEBA is better than the current EUTF. I was in the EUTF and disappointed that we on the island of Kauai were not given the same Kaiser coverage as those around the State. Since the conception of the VEBA I have better prescription coverage and it is a big savings to those on a limited income.

As a retiree, who recently had a medical emergency I can share with you that my out of pocket cost was nominal being in the VEBA plan. It is something that is working for its members and allows them to have better coverage and more funds in their pockets. I would like to share with the Committee members that medical is something that is very important to active and retiree members.

I believe the VEBA Trust is working for its members and should continue. I urge the committee to support this measure.

Thank you for the opportunity to testify.

Chair Sonson and Members of the Committee,

My name is Nancy Badin and I am a teacher at Kahala School. I would like to support SB 2262, SD1 with the following amendments:

1. Insert HB 2481 contents as a SD 2 without a defective date but as of July 1, 2008

I support the HSTA VEBA Trust because

a) I have been working as a teacher in Hawaii for 15 yrs my salary is only \$50,000 a year which most people can not believe I have managed to sustain living on Oahu as a single person with 2 college aged children yet to support HSTA VEBA Trust has been a valuable help to me in providing excellent coverage for health care at a reasonable price.

b) If you want your Highly Qualified teacher's to continue struggling to survive in our beautiful home of Hawaii you should know some people like me are ready to:

- 1) Relocate to the mainland where I could afford to live.
- 2) Change careers so I can make more money.

c) These are the regrettable thoughts I've been contemplating lately as I can no longer take this strain and it is very sad because I do love my work.

Sincerely,

Nancy Badin
4th gr teacher
Kahala Elementary School

Testimony to the Committee on Labor and Public Employment

RE: Senate Bill 2262, SD1

March 8, 2008

Chairman Alex Sonson and Members of the Committee:

My name is Peter Nakashima, Teacher at Liholiho Elementary School.

As a member of the HSTA VEBA Trust, I have directly experienced its benefits. I appreciate the teacher focused, personal approach, our Member Benefits Corporation takes when servicing me. An approach that is far better than the one I experienced when I was in the EUTF. The benefits don't stop at the just member level.

The HSTA VEBA Trust has demonstrated actual cost savings to the State of Hawaii via the over 1 million dollar total refund made to the State earlier this year. This refund was for the initial contract period March 1, 2006—June 30, 2006. For the contract period July 1, 2006—June 30, 2007, the HSTA VEBA Trust could be making a second such refund. As far as I know, the EUTF Trust Fund has made no such direct refund to the State.

Therefore, I strongly speak in favor of the intent of SB2262, SD1, which lifts the sunset and makes the HSTA VEBA Trust permanent, and which allows retirees in the EUTF another opportunity to join the VEBA Trust.

Thank you, Chairman Sonson and Members of the Committee for allowing my testimony.

House Committee on Labor and Public Employment
Rep. Alex Sonson, Chair
Rep. Bob Nakasone, Vice-Chair
Tuesday, March 11, 2008
Conference Room: 309

SB 2262,SD1: Relating to Health

Mr. Chairman and members of the House Labor Committee, good morning and thank you for placing SB 2262,SD1 on your agenda. Two significant provisions are at your disposition; one is to extend the sunset date to 7/1/2011, the other to permit retirees another opportunity to join the HSTA VEBA program. I ask for your support for these two provisions.

As a retired teacher, participating in HSTA's VEBA, I have had no problems with my medical and prescription drug programs. When I expressed concerns regarding medicare and dual medical plans, HSTA's Membership Benefits staff was most helpful. On the flipside, teacher retirees who remained in EUTF shared their frustrations about EUTF's prescription drug plan (EUTF changed carriers) and also, the fact that they are not privy to chiropractic services, whereas these services are available to VEBA members.

As members of this committee you can "go" or "think outside of the box" by allowing retirees another opportunity to participate in HSTA's VEBA, and by making the VEBA program permanent for Hawaii's teachers.

If we think only about the past and where we are, we are likely to stay there, but if we consider the future, we are likely to go there. I ask that you consider the future and allow Hawaii's teachers to have a permanent VEBA program.

Thank you for the opportunity to testify before your committee.

Sincerely,

Odetta Fujimori
HSTA-R Member
HSTA-VEBA Participant

Glenn D. Fernandez
94-223 Paioa Pl. D-104
Waipahu, HI 96797

March 10, 2008

The House Committee on Labor and Public Employment
Representative Alex Sonson, Chair

Date: Tuesday, March 11, 2008

Place: Conference Room 309

Time: 9:00 a.m.

RE: SB2262 SD1

Chair Sonson and members of the House Committee on Labor and Public Employment:

Please accept my testimony in SUPPORT of the ORIGINAL language of SB2262 SD1, which would have REMOVED the sunset for the HSTA VEBA Trust.

My name is Glenn Fernandez. I taught at Iliahi Elementary School in Wahiawa, Samuel K. Solomon Elementary School in Schofield Barracks, and Noelani Elementary School in Manoa. I retired in 2006 from the DOE with 35 years of service. I support SB2262 SD1 - Relating to Health, **if it repeals the sunset date** for the voluntary employees' beneficiary association (VEBA) Trust. **Please make our trust permanent.** The current version of the VEBA Trust bill asks for an extension of the sunset date to 2011.

I have been enrolled in HSTA's VEBA Trust as a DOE teacher and continued my enrollment as a retiree. My premium share as an active teacher was always lower than the State health plan and continues to be lower for today's in-service teachers than the EUTF plans.

When the EUTF changed its drug plan, retirees, who remained in the state plan, were frustrated with claim forms and higher costs. Many told me that only Longs pharmacies help EUTF retirees complete their reimbursement forms. Many exasperated HSTA retirees wanted to transfer to the VEBA Trust. This is not an option.

Our VEBA Trust returns the state's portion of any savings from our trust health plans. The State saves money. I save money. I also benefit from my enrollment in VEBA Trust life insurance and long term care insurance plans.

Please amend SB2262 SD1 to repeal the sunset date instead of being extended to 2011. Make our VEBA Trust permanent.

Thank you,

Glenn D. Fernandez
HSTA-Retired Communications Chair

COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT Representative Alex Sonson,
Chair Representative Bob Nakasone, Vice Chair

DATE: Tuesday, March 11, 2008
TIME: 9:00 a.m.
PLACE: Conference Room 309
State Capitol
415 South Beretania Street

RE: SB2262,SD1 Relating to Health

Representative Sonson and members of the Labor and Public Employment Committee, the Hawaii State Teachers Association - Retired, consisting of more than 4,300 retired teachers statewide, supports the intent of SB2262,SD1, but we prefer the bill as originally drafted and as contained in the House version of the bill.

When the VEBA Pilot began in 2006, those teacher retirees, who had retired before the implementation of the VEBA Pilot, were given a one-time opportunity to choose between the State's EUTF medical insurance plans and HSTA's VEBA Trust plans. Over 1,000 of those teacher retirees made the switch to the HSTA VEBA plans. More than 5,000 chose to continue with the EUTF. Many of those who stayed with the EUTF were HSTA-R members and we continue to monitor the EUTF on their behalf.

Among the reasons why many of our members stayed with the EUTF were: 1) satisfaction with the the medical plans offered at the time by the EUTF, 2) lack of familiarity and experience with the HSTA VEBA plans, and 3) the possible discontinuation of the VEBA Pilot in 2008. Since making the election to stay with the EUTF, many of our members are having second thoughts and have expressed unhappiness with some of the changes made by the EUTF, especially their new prescription drug plan. The change in the EUTF prescription drug plan was announced and implemented after the one-time decision was made by teacher retirees. Many of our member in the EUTF have complained that they were not satisfied with the new drug plan and asked if they could switch to the HSTA VEBA. The only answer we we could give them was that unless the law was changed, they had to remain with the EUTF. They were not happy with that answer.

HSTA-R supports making the VEBA Pilot a permanent program by removal of the sunset provision in the current law. Our members, who chose to switch to the HSTA VEBA seem satisfied. They would be very unhappy, if they had to go back to the EUTF, especially after what happened to those who stayed with the EUTF. If the sunset is removed, HSTA-R believes that retired teachers be given another chance to choose between the EUTF and HSTA VEBA plans.

Please, support SB2262 as originally written and as contained in the House version of the bill.

Justin Wong, President
Hawaii State Teachers Association - Retired

COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
Representative Alex Sonson, Chair
Representative Bob Nakasone, Vice Chair

DATE: Tuesday, March 11, 2008
TIME: 9:00a.m.
PLACE: Conference Room 309
State Capitol
415 South Beretania Street

March 8, 2008

RE: SB2262, SD1 Relating to Health

Dear Representative Sonson and members of the Labor and Public Employment Committee,

As amended, SB2262, SD1 extends the sunset date to 7/1/2011, for voluntary employees' beneficiary association trusts pilot program established pursuant to Act 245, Session Laws of Hawaii 2005. I would prefer the complete repeal of the sunset date and to make VEBA ongoing as negotiated at the bargaining table between HSTA and the State of Hawaii. As one of the 1,000 "older" retirees who switched from EUTF to VEBA, I am very satisfied with my medical, dental and drug coverage. However, many of my retiree colleagues chose to stay with EUTF because they felt VEBA was only a pilot and that they would have to change once more, but that "feeling" can be corrected if VEBA becomes permanent. I understand VEBA has saved the State of Hawaii money and has returned a sizable amount of funds back to the State.

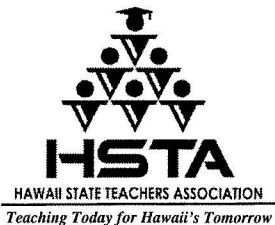
HSTA-Retired has close to 4,300 members and about 75% belong to EUTF and 25% belong to VEBA. We are not a union and although there is a retired trustee on the EUTF Board, we feel somewhat disconnected as far as communications is concerned. However, we continue to monitor the monthly EUTF Board and Committee meetings on behalf of our members.

In SB2262, SD1, there is language for "older" retirees to once again have an opportunity to join VEBA. We have heard many of our members express a desire for this to happen. We hope it will be made possible with the passage of this bill - namely repealing the sunset date completely and allowing for "older" retirees to join VEBA.

Thank you for the opportunity to testify.

Sincerely,

/s/ Donna Higashi,
HSTA-Retired
State Vice-President



1200 Ala Kapuna Street • Honolulu, Hawaii 96819
Tel: (808) 833-2711 • Fax: (808) 839-7106 • Web: www.hsta.org

Roger K. Takabayashi
President

Wil Okabe
Vice President

Karolyn Mossman
Secretary-Treasurer

Mike McCartney
Executive Director

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON
LABOR & PUBLIC EMPLOYMENT**

RE: SB 2262, SD1 – RELATING TO HEALTH.

March 11, 2008

**ROGER TAKABAYASHI, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION**

Chair Sonson and Members of the Committee:

The Hawaii State Teachers Association supports SB 2262, as originally written, prior to SD1. Instead of extending the sunset date to 7/1/2011, HSTA favors repealing the sunset date of Act 245, SLH 2005, as amended, providing for the permanent establishment of voluntary employees' beneficiary association (VEBA) trusts to offer health benefits for state and county employees. The intent of the VEBA trust is to provide a cost effective alternative to participation in the Hawaii Employer-Union Health Benefits Trust Fund for employees of a particular bargaining unit.

The HSTA VEBA Trust has provided medical benefits for our active members and retirees since March 1, 2006, under a pilot program that is scheduled to expire on July 1, 2009. The Trust completed its first full plan year for active members on June 30, 2007, and recently submitted financial and utilization reports covering the first 16 months of operation to the Director of Budget and Finance, the Speaker of the House, and the Senate President. These reports indicate that the actual employer savings is \$2.1 million for the period March 1, 2006 through June 30, 2006 based on employer contributions and experience refund, and \$661,000 for the period July 1, 2006 through June 30, 2007 based on employer contributions. An experience refund, estimated to be \$2.3 million for the period July 1, 2006 through June 30, 2007, will be realized 60 days after June 30, 2008. In addition, there will also be a refund of \$313,000 based on the life insurance experience.

The Hawaii State Teachers Association believes that the VEBA trust provides an effective means of containing health care costs for its members and the State of Hawaii. We respectfully request your favorable consideration of amending SB 2262, SD1, by repealing the sunset date of Act 245, SLH 2005 (as amended) as opposed to extending the sunset date.

Thank you for the opportunity to testify.



Attorneys at Law • A Law Corporation

American Savings Bank Tower
18th Floor
1001 Bishop Street
Honolulu, Hawai'i 96813
Phone: (808) 524-1800
Fax: (808) 524-5976

Carter Professional Center
Suite C21
65-1230 Marmalaho Highway
Kamuela, Hawai'i 96743
Phone: (808) 885-6762

www.ahfi.com

MEMORANDUM

Via email: LABtestimony@capitol.hawaii.gov

TO: Chairman Alex Sonson and Members of the
Committee on Labor and Public Employment

DATE: March 10, 2008

FROM: James K. Tam

A handwritten signature in black ink that reads "James K. Tam". The signature is written in a cursive style and is positioned to the right of the printed name "James K. Tam".

RE: **SUPPORT FOR SB2262 SD1**

Chairman Alex Sonson and Members of the Committee:

I am legal counsel to the HSTA VEBA Trust, which has been providing and continues to provide health benefits to teachers and their families.

The HSTA VEBA Trust has demonstrated its solid and efficient performance in delivering benefits at a true cost savings to the State of Hawaii by way of the \$1,258,840.21 total refund made to the State earlier this year for the initial contract period. For our contract period July 1, 2006—June 30, 2007, the HSTA VEBA Trust anticipates that a second refund may be made to State of Hawaii, again because of its efficient performance that has not been demonstrated by any competing State organization that would deliver health benefits, such as EUTF.

I strongly speak in favor of the intent of SB2262, SD1, to remove the "sunset," make VEBA Trust permanent and allow retirees in the EUTF another opportunity to join the VEBA Trust.

I humbly and respectfully request that this proposal take effect upon approval.

Thank you, Chairman Sonson and Members of the Committee for allowing my testimony.

SB2262, SD1 VEBA

Alex M. Sonson, Chair
Bob Nakasone, Vice Chair
House Committee on Labor and Public Employment (LAB)

Dear Committee Members,

I am a teacher at Ahuimanu Elementary School. I am asking for your continued support of SB2262, SD1 regarding VEBA.

I am totally in favor of lifting the sunset, as the Legislature, as a body, can already take VEBA away should they see that VEBA is not doing its job.

The Trust abides by ERISA, the Federal laws governing employee retirement plans. We have done so, from the time that the Health Fund administered health benefits.

ERISA rules state that all of the monies going into a VEBA should be used for the benefit of the employees that are part of it. It would be great if we could go back to that time and have the monies ported over and all of the monies used goes to giving employees better benefits.

My greatest "beef" with the EUTF has been with the cost of drugs. I do take a lot because of asthma and a chronic back problem. Right now, we are enjoying the ability to choose between brand name and generic without the exorbitant cost that the EUTF made us pay. I now pay \$15 for brand name. We used to be charged \$65 for the same inhaler from the mail order company, which was supposed to be cheaper.

Again, thank you for your continued support of SB2262, SD1 VEBA.

Aloha, Mae

Aloha,

I am writing to show my support and plead to keep the VEBA Benefits alive. It is growing more difficult daily to make ends meet here in Hawaii, especially on a teacher's salary. Do you know that when I worked for other companies such as KTA Grocery Stores, that I paid virtually nothing for my health benefits? Is this how we reward the teachers by increasing health insurance costs? Please keep the VEBA Bill alive.

Mahalo,
Alison Simmerman 775-8800, 269

HOUSE OF REPRESENTATIVES
THE TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008

Committee on Labor and Public Employment Rep. Alex M. Sonson, Chair Rep.
Bob Nakasone, Vice Chair

Aloha Chairman Sonson, Vice Chairman Nakasone and members of the
Committee,

My name is Yoshiichi "Joe" Tanaka and I write as an individual urging support for
SB 2262 SD1.

About two years ago, I had the choice of moving from the state's EUTF to the
VEBA health insurance plan or not. I debated the decision in my mind as well as
with my spouse who also had to make this important decision. We both decided
to make the move and my reasons were twofold. (I am not commenting for my
wife here.)

The first of two equally important reasons is the fact that VEBA offered a major
advantage in governance over the EUTF. We have direct representation on the
VEBA Board of Trustees and Member Benefits Corp. (MBC) relative to decision
making concerning health insurance and administration. Grievance resolution
as an example or matters concerning extended coverage including dealings with
vendors can proceed much more expeditiously than through the somewhat
convoluted system of making decisions within the EUTF Trust
Board. In short, the accountability factor in governance is much
more direct and acute under VEBA.. Good teachers expect and do hold
students accountable for their actions and can do the same with the VEBA and
MBC Boards.

Second is the matter of service to beneficiaries. My unexpected experience with
telephone tag just prior to making my decision was enough to convince me that I
could receive more efficient and prompt service from VEBA than a large state
agency like EUTF with many separate groups to service can deliver. In brief, the
less bureaucracy I have to deal with concerning my health the better. The
Member Benefits Corp. responsible for administering the VEBA plans does its
task with that feeling of caring, "personal" service to plan beneficiaries that is
often lacking in today's high tech society. This is not a small matter particularly
for elderly retirees.

Being a retiree for 15 years, I have come to fully realize that good health is
retirement's greatest treasure. In my heart and mind, I've made the right decision
and hope that through the compassion that's part of SB 2262, others can again
be offered to do the same if they

so desire. The state is concerned with saving money and rightfully so. VEBA has produced savings and returned same to the state. As a retiree who switched to VEBA, I am guaranteed return rights to EUTF where I was originally if VEBA were to fail. Likewise, the Legislature can do the same with VEBA itself, that is, lift the sunset; thereby challenging VEBA to maintain its good start and if VEBA doesn't live up to the challenge, give the agency a fast setting sun back to where it was. To me, that is fair enough and represents real accountability.

Thank you very much for this opportunity to present this testimony.

Yoshiichi Tanaka
Signed, 03-09-08

TESTIMONY BEFORE THE House Committee on Labor and Public
Employment

RE: SB2262 SD1 - RELATING TO HEALTH

March 11, 2008

9:00 a.m.

Conference Room 309

State Capitol

415 South Beretania Street

KIM SPRINGER, TEACHER

HAWAII STATE TEACHERS ASSOCIATION

House Committee on Labor and Public Employment

Alex Sonson, Chair

Bob Nakasone, Vice Chair

Testimony in SUPPORT of SB2262 SD1

Chair Sonson and members of the House Committee on Labor and Public
Employment,

Thank you for accepting my testimony in SUPPORT of HB2481 HD1 (VEBA
Trusts; Bargaining Unit 5; Repeal Sunset)

The reason I am in support of this bill is because I have saved lots of money
having my medical insurance through the HSTA VEBA Trust. When we went
back to the EUTF, I spent more out of pocket than before for co-pays.
Then I was able to get back into the HSTA VEBA Trust. Wonderful!! I save
on my monthly premium payments, save on doctor visit co-pays, and save on
prescription co-pays. When I call our Member Benefits office, I get to
speak with a live person, and my questions are answered promptly. I have
also had excellent service through our Member Benefits office.

I understand that my colleagues also rejoice in the savings they enjoy
because of their enrollment in the HSTA VEBA Trust. The savings teachers
receive goes right back into the state's economy. This Trust has saved the

state money.

I am humbly asking for your support to get the sunset provision to ACT 245 removed this year.

Sincerely,
Kim Springer
1722 Kaiao Street
Hilo, Hawaii 96720
959-2116



HSTA Member Benefits Corporation

1350 S King St., Suite 230
Honolulu, Hawaii 96814-2008
(808) 591-2823/1-800-637-4926
Fax No. (808) 591-2652
E-mail: mbc@hstambc.net

Testimony to the Committee on Labor and Public Employment

RE: Senate Bill 2262, SD1

March 9, 2008

Chairman Alex Sonson and Members of the Committee:

My name is Ray Sodetani, President of HSTA Member Benefits Corporation and Administrator of the HSTA VEBA Trust.

As the Administrator of the HSTA VEBA Trust, we have the opportunity to speak with Active and Retired teachers on a regular basis concerning their health care coverage with the HSTA VEBA Trust. When requested, we attend and participate in special sessions and meetings to explain the medical plan coverage and to address any questions or concerns our participants may have. Our active and retired teachers continually express their satisfaction with our knowledge of the benefits and prompt response/service. This is especially important to our active teachers who spend most of their day at the schools, and for our retirees who want the personal interaction with the HSTA VEBA Trust administrative staff. On a regular basis, we receive calls from BU5 retirees currently enrolled in the EUTF Retiree plans requesting to change from the EUTF to the HSTA VEBA Trust health plans.

The HSTA VEBA Trust has demonstrated true cost savings to the State of Hawaii by way of the \$1,258,840.21 total refund made to the State earlier this year. This refund was for the initial contract period March 1, 2006—June 30, 2006. For our contract period July 1, 2006—June 30, 2007, the HSTA VEBA Trust is optimistic a second refund may be made to State of Hawaii. We do not believe the EUTF Trust Fund has demonstrated this type of direct savings to the State of Hawaii.

We strongly speak in favor of the intent of SB2262, SD1, which lifts the sunset and make VEBA permanent and would allow retirees in the EUTF another opportunity to join the VEBA Trust.

We humbly and respectfully request that this proposal take affect upon approval.

Thank you, Chairman Sonson and Members of the Committee for allowing my testimony.

Testimony

March 9, 2008

The House Committee on Labor and Public Employment
Representative Alex Sonson, Chair
415 South Beretania Street
Tuesday, March 11, 2008.
Conference Room 309
9:-00 a.m.

Chair Sonson and members of the House Committee on Labor and Public Employment,

My name is Eric Kanemoto, Teacher at the CKW School Support Center, and Chair of the VEBA Trust.

Please accept my testimony in SUPPORT of the ORIGINAL language of SB 2262 SD 1, which would REMOVED the sunset for the HSTA VEBA.

The following reasons are why I support SB 2262:

- The State saves money and members of HSTA VEBA Trust save as well on medical premiums. This is a Win-Win situation for teachers and the State of Hawaii.
- Enhanced Medical Benefits is one way to recruit future teachers to help our teacher shortage.
- My family is receiving excellent service from our Servicing Representative Members Benefits Corporation.
- We support another opportunity for retirees to join the VEBA Trust.

We humbly request this proposal to take effect upon approval.

Thank you, Chairman Sonson and Members of the Committee for allowing my testimony.

Malama Pono