
A BILL FOR AN ACT

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST
FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

- 1 SECTION 1. The purpose of this Act is to control the
2 State's and the counties' health benefits costs for retired
3 employees and their dependents by making amendments to the
4 Hawaii employer-union health benefits trust fund law.
- 5 During the current state budget crisis, the legislature
6 finds it appropriate and necessary to reduce the expenditure of
7 public funds for the health benefits plans of retired employees.
8 At the state level, active employees have suffered and
9 sacrificed due to layoffs and furloughs in order to balance the
10 state budget. The legislature finds that retired employees also
11 should share in the burden.
- 12 This Act does the following:
- 13 (1) Establishes a tiered system of employer contributions
14 for the medicare part B premiums of new employees who
15 first enter service after June 30, 2010, and
16 subsequently retire, based on their years of service
17 before retirement;



- 1 (2) When a retired employee is married to an active
2 employee, renders the retired employee ineligible to
3 enroll in a two-party or family plan that covers the
4 active employee or any dependent. Instead, the
5 retired employee may enroll in a self plan and the
6 active employee may enroll in a self or family plan to
7 cover the active employee and, if applicable, any
8 dependent;
- 9 (3) When a retired employee's spouse is privately employed
10 and eligible for prepaid health care coverage, renders
11 the spouse ineligible for coverage under the retired
12 employee's health benefits plan unless the spouse also
13 is covered by the prepaid health care plan offered by
14 the private employer;
- 15 (4) Requires the office of the auditor to annually
16 evaluate the health benefits plan for retired
17 employees to determine compliance with the
18 requirements that the plan does not duplicate medicare
19 benefits, and must be secondary to medicare;
- 20 (5) Provides that the employers' contribution for the
21 medicare part B premium shall be based on the least
22 costly medicare part B premium rate;



1 (6) Provides medicare part B contributions for a retired
2 employee's spouse only if the employee retired before
3 January 1, 2011;

4 (7) Requires a retired employee to enroll in both medicare
5 part B and a medical benefits plan of the fund as a
6 condition for receiving reimbursements for medicare
7 part B premiums;

8 (8) Requires a retired employee's spouse who is eligible
9 to enroll in the medicare part B medical insurance
10 plan to enroll in that plan as a condition for
11 participating in a health benefits plan of the fund;
12 and

13 (9) Requires the annual adjustment of the base monthly
14 contribution for retired employees to be based on the
15 changes to the least costly medicare part B premium
16 rate.

17 SECTION 2. Chapter 87A, Hawaii Revised Statutes, is
18 amended by adding a new section to part IV to be appropriately
19 designated and to read as follows:

20 "§87A-A State and county contributions for medicare part
21 B premiums; employees hired after June 30, 2010, and

22 subsequently retired. (a) This section shall apply to state

1 and county contributions to the fund for the medicare part B
2 premiums of employees who first enter state or county service
3 after June 30, 2010, and subsequently retire.

4 (b) For the purpose of this section, an employee's years
5 of service shall be computed in the same manner as set forth in
6 chapter 88.

7 (c) The State, through the department of budget and
8 finance, and the counties, through their respective departments
9 of finance, shall pay to the fund for the medicare part B
10 medical insurance plan:

11 (1) For each retired employee with ten or more years but
12 fewer than fifteen years of service, a monthly
13 contribution equal to one-half of the least costly
14 medicare premium rate;

15 (2) For each retired employee with at least fifteen years
16 but fewer than twenty-five years of service, a monthly
17 contribution equal to seventy-five per cent of the
18 least costly medicare premium rate; and

19 (3) For each retired employee with twenty-five or more
20 years of service, a monthly contribution equal to one-
21 hundred per cent of the medicare part B premium rate."



1 SECTION 3. Section 87A-1, Hawaii Revised Statutes, is
2 amended by adding a new definition of "medical benefits plan" to
3 be appropriately inserted and to read as follows:

4 "Medical benefits plan" means a group insurance contract
5 or service agreement offered by a carrier providing medical,
6 hospital, surgical, and other health care benefits or a similar
7 schedule of benefits that are provided through the fund on a
8 self-insured basis. The term does not include a health benefits
9 plan that provides only prescription drug, vision, or dental
10 benefits."

11 SECTION 4. Section 87A-21, Hawaii Revised Statutes, is
12 amended to read as follows:

13 "[+]§87A-21[+] **Eligibility.** (a) The board shall
14 establish eligibility criteria to determine who can qualify as
15 an employee-beneficiary, dependent-beneficiary, or qualified-
16 beneficiary, consistent with the provisions of this chapter.

17 (b) [A] Subject to subsections (d) and (e), a retired
18 member of the employees' retirement system; a county pension
19 system; or a police, firefighters, and bandsmen pension system
20 of the State or county, shall be eligible to qualify as an
21 employee-beneficiary:



1 (1) Regardless of whether the retired member was actively
2 employed by the State or county at the time of the
3 retired employee's retirement; and

4 (2) Without regard to the date of the retired member's
5 retirement.

6 (c) A dependent of a retired member shall be eligible to
7 qualify as an employee-beneficiary or dependent-beneficiary:

8 (1) Regardless of whether the retired member was actively
9 employed by the State or county at the time of the
10 retired employee's retirement; and

11 (2) Without regard to the date of the retired member's
12 retirement.

13 (d) When a retired employee is married to and not legally
14 separated from an active employee, the retired employee shall
15 not be eligible to enroll in a two-party or family plan that
16 covers the active employee or any other dependent-beneficiary.
17 Instead, the retired employee may enroll in a self plan, and the
18 active employee may enroll in a self or family plan to provide
19 coverage for the active employee and, if applicable, any
20 dependent-beneficiary other than the retired employee.



1 This subsection shall apply only while the retired employee
2 and active employee are married to and not legally separated
3 from each other.

4 (e) When a retired employee's spouse is privately employed
5 and eligible for coverage under a prepaid health care plan
6 offered by the private employer, the retired employee shall not
7 be eligible to enroll in a health benefits plan covering the
8 spouse unless the spouse also is covered under the prepaid
9 health care plan. If the spouse chooses to forego coverage
10 under the prepaid health care plan, the retired employee may
11 enroll in a self plan, but not a two-party or family plan. For
12 the purpose of this section, "prepaid health care plan" means
13 the same as defined under section 393-3.

14 This subsection shall apply only while:

15 (1) The retired employee is married to and not legally
16 separated from the privately employed spouse; and

17 (2) The spouse is privately employed and eligible for
18 coverage under a prepaid health care plan offered by
19 the private employer."

20 SECTION 5. Section 87A-23, Hawaii Revised Statutes, is
21 amended to read as follows:



1 "§87A-23 Health benefits plan supplemental to medicare.

2 The board shall establish a health benefits plan, which takes
3 into account benefits available to an employee-beneficiary and
4 spouse under medicare, subject to the following conditions:

5 (1) There shall be no duplication of benefits payable
6 under medicare. The plan under this section, which
7 shall be secondary to medicare, when combined with
8 medicare and any other plan to which the health
9 benefits plan is subordinate under the National
10 Association of Insurance Commissioners' coordination
11 of benefit rules, shall provide benefits that
12 approximate those provided to a similarly situated
13 beneficiary not eligible for medicare[+].

14 The auditor, at least annually, shall evaluate
15 the health benefits plan to determine if it complies
16 with this section and submit a report to the
17 legislature on the auditor's findings;

18 (2) The State, through the department of budget and
19 finance, and the counties, through their respective
20 departments of finance, shall pay to the fund a
21 contribution equal to [~~an amount not less than~~] the
22 least costly medicare part B premium[+] rate for each



1 of the following who are enrolled in the medicare part
2 B medical insurance plan:

3 (A) ~~[an]~~ An employee-beneficiary who is a retired
4 employee, regardless of the date of retirement;

5 (B) ~~[an]~~ An employee-beneficiary's spouse ~~[while]~~ if
6 the employee-beneficiary is a retired employee
7 who retired before January 1, 2011, and still
8 living[-]; and

9 (C) ~~[an]~~ An employee-beneficiary's spouse, after the
10 death of the employee-beneficiary, if ~~[the]~~ :

11 (i) The spouse qualifies as an employee-
12 beneficiary[-]; and

13 (ii) The employee-beneficiary was a retired
14 employee who retired before January 1, 2011.

15 For purposes of this section, a "retired employee"
16 means retired members of the employees' retirement
17 system; county pension system; or a police,
18 firefighters, or bandsmen pension system of the State
19 or a county as set forth in chapter 88. If the amount
20 reimbursed by the fund under this section is less than
21 the ~~[actual cost of the]~~ least costly medicare part B
22 ~~[medical insurance plan]~~ premium rate due to an



1 increase in the [~~medicare part B medical insurance~~
2 ~~plan~~] premium rate, the fund shall reimburse each
3 [~~employee beneficiary and employee beneficiary's~~
4 ~~spouse~~] retired employee for the cost increase within
5 thirty days of the premium rate change. Each
6 [~~employee beneficiary and employee beneficiary's~~
7 ~~spouse~~] retired employee who becomes entitled to
8 reimbursement from the fund for medicare part B
9 premiums after July 1, 2006, shall designate a
10 financial institution account into which the fund
11 shall be authorized to deposit reimbursements. This
12 method of payment may be waived by the fund if another
13 method is determined to be more appropriate;

14 [~~(3) The benefits available under this plan, when combined~~
15 ~~with benefits available under medicare or any other~~
16 ~~coverage or plan to which this plan is subordinate~~
17 ~~under the National Association of Insurance~~
18 ~~Commissioners' coordination of benefit rules, shall~~
19 ~~approximate the benefits that would be provided to a~~
20 ~~similarly situated employee beneficiary not eligible~~
21 ~~for medicare;~~



1 ~~(4)]~~ (3) All ~~[employee-beneficiaries or dependent-~~
2 beneficiaries] retired employees who are eligible to
3 enroll in the medicare part B medical insurance plan
4 shall ~~[enroll]~~ be enrolled simultaneously in that plan
5 and a medical benefits plan under this chapter as a
6 condition of receiving contributions and participating
7 in benefits plans under this chapter. ~~[This paragraph~~
8 ~~shall apply to retired employees, their spouses, and~~
9 ~~the surviving spouses of deceased retirees and~~
10 ~~employees killed in the performance of duty; and]~~ If
11 the retired employee is enrolled only in the medicare
12 part B medical insurance plan, and not a medical
13 benefits plan under this chapter, the retired employee
14 shall not receive any reimbursement of part B premiums
15 from the fund;

16 (4) A dependent-beneficiary or survivor who becomes an
17 employee-beneficiary eligible to enroll in the
18 medicare part B medical insurance plan shall be
19 enrolled in that plan as a condition for participating
20 in a health benefits plan under this chapter; and

21 (5) The board shall determine which of the ~~[employee-~~
22 ~~beneficiaries and dependent-beneficiaries,]~~ retired



1 employees, who are [~~not enrolled in~~] ineligible for
2 the medicare part B medical insurance plan, may
3 participate in the plans offered by the fund."

4 SECTION 6. Section 87A-33, Hawaii Revised Statutes, is
5 amended by amending subsection (d) to read as follows:

6 "(d) The base composite monthly contribution shall be
7 adjusted annually, beginning July 1, 2005.

8 The adjusted base composite monthly contribution for each
9 new plan year (July 1 until June 30) shall be calculated by
10 increasing or decreasing the base composite monthly contribution
11 in effect through the end of the previous plan year by the
12 percentage increase or decrease in the least costly medicare
13 part B premium rate for those years[~~, which~~]. The percentage
14 shall be calculated by dividing the least costly medicare part B
15 premium rate in effect at the beginning of the new plan year by
16 the least costly medicare part B premium rate in effect at the
17 beginning of the previous plan year.

18 [~~For the plan year beginning July 1, 2005, the adjusted~~
19 ~~base monthly contribution shall be computed using the actual~~
20 ~~contracted premium rate as of July 1, 2004, for medicare and~~
21 ~~non-medicare, self and family health benefits plans with the~~
22 ~~highest actual contracted premium rate as of July 1, 2004.]~~



1 As used in this subsection, "medicare part B premium rate"
2 means the rate published in the Federal Register each year on
3 November 1 or on the business day closest to November 1 of each
4 year after the medicare part B premium rate has been established
5 by the Secretary of Health and Human Services and approved by
6 the United States Congress."

7 SECTION 7. Section 87A-34, Hawaii Revised Statutes, is
8 amended by amending subsection (b) to read as follows:

9 "(b) The State, through the department of budget and
10 finance, and the counties, through their respective departments
11 of finance, shall pay to the fund for each retired employee
12 enrolled in a medicare or non-medicare health benefits plan a
13 monthly contribution equal to one-half of the lesser of the
14 following:

15 (1) [the] The base monthly contribution as set forth and
16 adjusted under section 87A-33(b) and (d) for [retired
17 employees enrolled in medicare or non-medicare health
18 benefits plans.] the plan in which the retired
19 employee is enrolled; or

20 (2) The actual monthly premium cost for that plan.

21 If both husband and wife are employee-beneficiaries, the total
22 contribution by the State or county shall not exceed the monthly



1 contribution for supplemental medicare family or non-medicare
2 family plan, as appropriate."

3 SECTION 8. Section 87A-35, Hawaii Revised Statutes, is
4 amended by amending subsection (c) to read as follows:

5 "(c) The State, through the department of budget and
6 finance, and the counties, through their respective departments
7 of finance, shall pay to the fund:

8 (1) For each retired [~~employees~~] employee enrolled in a
9 medicare or non-medicare health benefit [~~plans~~] plan
10 with ten or more years but fewer than fifteen years of
11 service, a monthly contribution equal to one-half of
12 the lesser of the following:

13 (A) [~~the~~] The base monthly contribution as set forth
14 and adjusted under section 87A-33(b) and (d) for
15 the plan in which the retired employee is
16 enrolled; or

17 (B) The actual monthly premium cost for that plan;
18 and

19 (2) For each retired [~~employees~~] employee enrolled in a
20 medicare or non-medicare health benefit [~~plans~~] plan
21 with at least fifteen years but fewer than twenty-five



1 years of service, a monthly contribution of seventy-
2 five per cent of the lesser of the following:

3 (A) ~~[the]~~ The base monthly contribution as set forth
4 and adjusted under section 87A-33(b) ~~[-]~~ and (d)
5 for the plan in which the retired employee is
6 enrolled; or

7 (B) The actual monthly premium cost for that plan.

8 If both husband and wife are employee-beneficiaries, the total
9 contribution by the State or county shall not exceed the monthly
10 contribution for a supplemental medicare family or non-medicare
11 family plan, as appropriate."

12 SECTION 9. Section 87A-36, Hawaii Revised Statutes, is
13 amended by amending subsection (c) to read as follows:

14 "(c) The State, through the department of budget and
15 finance, and the counties, through their respective departments
16 of finance, shall pay to the fund:

17 (1) For each retired ~~[employees]~~ employee based on the
18 self plan with ten or more years but fewer than
19 fifteen years of service, a monthly contribution equal
20 to one-half of the lesser of the following:

21 (A) ~~[the]~~ The base ~~[medicare or non-medicare]~~ monthly
22 contribution as set forth and adjusted under



1 section 87A-33(b) [÷] and (d) for the self plan in
2 which the retired employee is enrolled; or

3 (B) The actual monthly cost for that self plan;

4 (2) For each retired [~~employees~~] employee based on the
5 self plan with at least fifteen years but fewer than
6 twenty-five years of service, a monthly contribution
7 equal to seventy-five per cent of the lesser of the
8 following:

9 (A) [the] The base [~~medicare or non-medicare~~] monthly
10 contribution as set forth and adjusted under
11 section 87A-33(b) [÷] and (d) for the self plan in
12 which the retired employee is enrolled; or

13 (B) The actual monthly cost for that self plan;

14 (3) For each retired [~~employees~~] employee based on the
15 self plan with twenty-five or more years of service, a
16 monthly contribution equal to one-hundred per cent of
17 the lesser of the following:

18 (A) [the] The base medicare or non-medicare monthly
19 contribution as set forth and adjusted under
20 section 87A-33(b) and (d) for the self plan in
21 which the retired employee is enrolled; or

22 (B) The actual monthly cost for that self plan; and



1 (4) One-half of the monthly contributions for the
2 employee-beneficiary or employee-beneficiary with
3 dependent-beneficiaries upon the death of the
4 employee, as defined in paragraph (1)(E) of the
5 definition of "employee" in section 87A-1.

6 If both husband and wife are employee-beneficiaries, the
7 total contribution by the State or county shall not exceed the
8 monthly contribution for two supplemental medicare self or non-
9 medicare self plans, as appropriate."

10 SECTION 10. Section 87A-37, Hawaii Revised Statutes, is
11 amended by amending subsection (b) to read as follows:

12 "(b) Effective July 1, 2003, there is established a base
13 monthly contribution of \$4.16 for each retired employee enrolled
14 in a group life insurance plan; provided that the monthly
15 contribution shall not exceed the actual cost of the group life
16 insurance benefits plan. The base composite monthly
17 contribution shall be adjusted annually beginning July 1, 2004.
18 The adjusted base composite monthly contribution for each new
19 plan year shall be calculated by increasing or decreasing the
20 base composite monthly contribution in effect through the end of
21 the previous plan year by the percentage increase or decrease in
22 the least costly medicare part B premium rate for those years.



Report Title:

Hawaii Employer-Union Health Benefits Trust Fund; Comprehensive Amendments

Description:

Makes various amendments to the Hawaii employer-union health benefits trust fund law: (1) establishes a tiered system of employer contributions for the medicare part B premiums of new employees who first enter service after 06/30/2010 and subsequently retire, based on their years of service before retirement; (2) when a retired employee is married to an active employee, renders the retired employee ineligible to enroll in a health benefits plan that provides coverage for the active employee; (3) when a retired employee is privately employed and eligible for prepaid health care coverage, renders the retired employee ineligible to enroll in a two-party or family plan that covers the spouse unless the spouse also is enrolled in the prepaid health care plan; (4) requires the board to periodically evaluate the health benefits plan for retired employees to determine compliance with the requirements that the plan not duplicate medicare benefits and be secondary to medicare; (5) provides that the employers' contribution for the medicare part B premium shall be based on the least costly medicare part B premium rate and made only for a retired employee; (6) provides medicare part B contributions to a retired employee's spouse only if the employee retired before 01/01/2011; (7) requires a retired employee to enroll in both medicare part B and a medical benefits plan of the fund as a condition for receiving reimbursements for medicare part B premiums; (8) requires a retired employee's spouse who is eligible to enroll in the medicare part B medical insurance plan to enroll in that plan as a condition for participating in a health benefits plan of the fund; and (9) requires the annual adjustment of the base monthly contribution for retired employees to be based on the least costly medicare part B premium rate.

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