

S.B. NO. 2690

JAN 25 2010

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. Section 87A-23, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§87A-23 Health benefits plan supplemental to medicare.

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

7 (1) [~~There shall be no duplication of benefits payable~~
8 ~~under medicare.~~] The plan under this section, which
9 shall be secondary to medicare, when combined with
10 medicare and any other plan to which it is subordinate
11 under the National Association of Insurance
12 Commissioners' coordination of benefit rules, shall
13 provide benefits, coverages, and levels of coverage
14 that approximate those provided to a similarly
15 situated employee-beneficiary who is retired but not
16 eligible for medicare[+]. The plan under this section
17 shall coordinate benefits with medicare so that the

1 employee-beneficiaries and their dependents enrolled
2 in the plan pay co-pays and deductibles that, as
3 nearly as practicable, approximate the co-pays and
4 deductibles paid by an employee-beneficiary who is
5 retired but not eligible for medicare. In no case
6 shall the plan under this section make payments that
7 duplicate coverage provided by medicare or require the
8 fund to pay more than it would have paid in the
9 absence of any medicare coverage;

- 10 (2) The State, through the department of budget and
11 finance, and the counties, through their respective
12 departments of finance, shall pay to the fund a
13 contribution equal to an amount not less than the
14 medicare part B premium, for each of the following who
15 are enrolled in the medicare part B medical insurance
16 plan: (A) an employee-beneficiary who is a retired
17 employee, (B) an employee-beneficiary's spouse while
18 the employee-beneficiary is living, and (C) an
19 employee-beneficiary's spouse, after the death of the
20 employee-beneficiary, if the spouse qualifies as an
21 employee-beneficiary. For purposes of this section, a
22 "retired employee" means retired members of the

1 employees' retirement system; county pension system;
2 or a police, firefighters, or bandsmen pension system
3 of the State or a county as set forth in chapter 88.
4 If the amount reimbursed by the fund under this
5 section is less than the actual cost of the medicare
6 part B medical insurance plan due to an increase in
7 the medicare part B medical insurance plan rate, the
8 fund shall reimburse each employee-beneficiary and
9 employee-beneficiary's spouse for the cost increase
10 within thirty days of the rate change. Each employee-
11 beneficiary and employee-beneficiary's spouse who
12 becomes entitled to reimbursement from the fund for
13 medicare part B premiums after July 1, 2006, shall
14 designate a financial institution account into which
15 the fund shall be authorized to deposit
16 reimbursements. This method of payment may be waived
17 by the fund if another method is determined to be more
18 appropriate;

19 ~~[(3) The benefits available under this plan, when combined~~
20 ~~with benefits available under medicare or any other~~
21 ~~coverage or plan to which this plan is subordinate~~
22 ~~under the National Association of Insurance~~

1 ~~Commissioners' coordination of benefit rules, shall~~
2 ~~approximate the benefits that would be provided to a~~
3 ~~similarly situated employee beneficiary not eligible~~
4 ~~for medicare;~~

5 ~~(4)]~~ (3) All employee-beneficiaries or dependent-
6 beneficiaries who are eligible to enroll in the
7 medicare part B medical insurance plan shall enroll in
8 that plan as a condition of receiving contributions
9 and participating in benefits plans under this
10 chapter. This paragraph shall apply to retired
11 employees, their spouses, and the surviving spouses of
12 deceased retirees and employees killed in the
13 performance of duty; and

14 ~~(5)]~~ (4) The board shall determine which of the employee-
15 beneficiaries and dependent-beneficiaries, who are not
16 enrolled in the medicare part B medical insurance
17 plan, may participate in the plans offered by the
18 fund."

19 SECTION 2. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.

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1 SECTION 3. This Act shall take effect on July 1, 2010.

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INTRODUCED BY: _____

~~_____~~
BY REQUEST

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Report Title:

Hawaii Employer-Union Health Benefits Trust Fund; Health Benefits Plan Supplemental to Medicare

Description:

Clarifies how health benefit plans offered to retirees eligible for Medicare under the Hawaii Employer-Union Health Benefits Trust Fund are to be coordinated with Medicare.

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND.

PURPOSE: To clarify how health benefit plans offered to retirees eligible for Medicare under the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) are to be coordinated with Medicare.

MEANS: Amend section 87A-23, Hawaii Revised Statutes (HRS).

JUSTIFICATION: Due to declining general fund revenues and an anticipated budget shortfall of \$1,230,000,000 in fiscal biennium 2009-2011, action must be taken to contain health benefit costs.

This proposal clarifies the Legislature's intent of offering plans that result in comparable treatment of retirees that are eligible for Medicare and for those retirees that are not eligible for Medicare. In practice, the current EUTF methodology of coordinating the plan's coverage with Medicare results in better treatment of those retirees that receive benefits under both the EUTF and Medicare. This practice results in higher employer costs as for the most part, the EUTF ends up paying for 100 percent of all covered services and products and the employer pays for 100 percent of retiree health premiums.

This proposal requires health benefit claims for Medicare eligible retirees to be processed on a "carve-out" basis. The EUTF plan is secondary to Medicare and the plan would pay no more than what would have been paid if there was no Medicare primary plan.

Impact on the public: Health benefits for state and local governments are funded

through general fund appropriations. All cost containment efforts will help to address the budget shortfall, benefit taxpayers, and help alleviate current economic conditions.

Impact on the department and other agencies:
Current EUTF practices on how payments are processed under Medicare supplemental plans would need to be amended. These changes are expected to contain employer contributions for retiree health benefits.

GENERAL FUND: Savings is estimated to be between \$2,500,000 and \$8,000,000 per fiscal year based on 2008 enrollments and current rates.

OTHER FUNDS: None.

PBBS PROGRAM
DESIGNATION: BUF-761, BUF-765, BUF-768.

OTHER AFFECTED
AGENCIES: All State executive agencies, the Office of Hawaiian Affairs, the Judiciary, the Hawaii Health Systems Corporation, the legislative bodies of the State, City and County of Honolulu, County of Maui, County of Hawaii, and County of Kauai.

EFFECTIVE DATE: July 1, 2010.