

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT  
ON  
HOUSE BILL NO. 850

February 3, 2009

RELATING TO THE EMPLOYER-UNION HEALTH BENEFITS TRUST FUND.

House Bill No. 850 changes the composition of the Hawaii Employer-Union Health Benefits Trust Fund Board of Trustees by designating the Directors of Finance from each of the Counties as four (4) of the five (5) trustees representing the public employers.

The Department of Budget and Finance opposes this measure.

The amendment is not required as current provisions of Chapter 87A, Hawaii Revised Statutes do not prohibit appointment of County representatives. Further, as of June 2008, the State comprised approximately 72 percent of the membership in the EUTF and accounted for about 71% of all employer contributions to the Fund. For the State these contributions totaled \$307 million in FY 2008 as compared with \$79 million for the City and County of Honolulu (largest county) and \$9 million for the County of Kauai (smallest county). The needs, challenges and cost impacts of the State differ substantially from those of the Counties and heavily weighting the Board with county representation creates an unfair and unreasonable imbalance.

000293

LINDA LINGLE  
GOVERNOR OF HAWAII



MARIE C. LADERTA  
DIRECTOR

CINDY S. INOUYE  
DEPUTY DIRECTOR

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

January 30, 2009

TESTIMONY TO THE  
HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
For Hearing on Tuesday, February 3, 2009  
8:30 a.m., Conference Room 309

BY

MARIE C. LADERTA, DIRECTOR

**House Bill No. 850**  
**Relating to the Employer-Union Health Benefits Trust Fund**

TO CHAIRPERSON KARL RHOADS AND MEMBERS OF THE COMMITTEE:

The purpose of H. B. No. 850 is to require that four of the five seats on the Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees allocated to public employers be occupied by the respective county Directors of Finance.

The Department of Human Resources Development **opposes** this bill because it is unnecessary.

HRS §87A-5 already allows the flexibility to include county representation since the Mayors can nominate their Directors of Finance for appointment to public employer seats that become vacant, for the Governor's consideration. As currently stated, HRS §87A-5(2) simply provides that there shall be "five trustees to represent public employers." Thus, there is nothing that precludes the Governor from appointing trustees from the counties, the Judiciary, the University of Hawaii, the Hawaii Health Systems Corporation, or the Department of Education. To our knowledge, none of the Mayors have ever asked the Governor to consider appointing a trustee from their jurisdictions, although they clearly are able to do so.

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The proposed amendment to HRS §87A-5 is, therefore, not warranted because it does not create representation on the EUTF Board of Trustees that is different from what is already possible under the law.

Thank you for the opportunity to testify on this matter.

Respectfully submitted,



MARIE C. LADERTA  
Director

**yamashita1- Kathy**

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**From:** Alice Kotake [akotake@hawaii.rr.com]  
**Sent:** Monday, February 02, 2009 4:35 PM  
**To:** LABtestimony  
**Subject:** FW: HB 850 Relating to the Employer-Union Health Benefits Trust Fund - OPPOSE

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**Testifier:** Alice Kotake  
Director, Hawaii State Teachers Association – Retired

**To:** House Committee on Labor and Public Employment  
Representative Karl Rhodes, Chairman

**Date of meeting:** Tuesday, 2/03/09  
8:00 A.M.

**Re:** **HB 850 Relating to the Employer – Union Health Benefits Trust Fund – OPPOSE**

**# of Copies:** 3

The EUTF Board provides medical insurance coverage authorized by statute. The change authorized by this statute would bring politics into the operation (4 of 5 employer trustees will be county directors of finance). This important program which protects the health and welfare of our public employees and retirees needs the stability of its present board.

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Testimony of the

**Hawaii Council of Mayors**  
 Bernard Carvalho, Jr., Mayor of Kauai  
 Mufi Hannemann, Mayor of Honolulu  
 Billy Kenoi, Mayor of Hawaii  
 Charmaine Tavares, Mayor of Maui

Before a Hearing of the  
**House Committee on Labor and Public Employment**

February 3, 2009

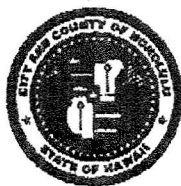
**House Bill 850, Relating to the Employer-Union Health Benefits Trust Fund**

The Hawaii Council of Mayors supports House Bill 850, which proposes amendments to Section 87A-5, Hawaii Revised Statutes, to provide for county representation on the Employer-Union Health Benefits Trust Fund (EUTF) board of trustees.

The EUTF board of trustees administers and implements health and other benefit plans for state and county employees. In this role, it decides which health and other benefits will be provided to public employees and retirees. Through its negotiations with insurance companies and benefit providers, it also determines the cost of the benefit packages to public employers. Thus, the EUTF affects public employers in two ways: The benefits provided affect the health and morale of employees and retirees, and the cost of the benefits package affects government budgets, both immediately and over the longer term.



Mayor Billy Kenoi  
 County of Hawaii  
 25 Aupuni Street  
 Hilo, Hawaii 96720



Mayor Mufi Hannemann  
 City and County of Honolulu  
 530 South King Street  
 Honolulu, Hawaii 96813



Mayor Bernard Carvalho, Jr.  
 County of Kauai  
 444 Rice Street  
 Lihua, Hawaii 96766



Mayor Charmaine Tavares  
 County of Maui  
 200 South High Street, 9th Floor  
 Wailuku, Hawaii 96793

The current statute sets aside five seats on the board for public employers. However, the appointments for these seats are at the discretion of the governor, and counties have not been represented on the board for a number of years. Left without a voice, the counties' role is limited to funding EUTF board decisions.

The level of funding provided by the counties is significant, as county employees are an important part of EUTF membership. In one extreme example, the counties have even been sued for decisions made by the EUTF board, without the knowledge or consent of the counties. In June 2006, the counties, along with the state, EUTF, and its trustees, were named as defendants in a lawsuit filed by several state retirees in federal court. In the case, Everson, et al. v. State of Hawaii, et al., Civil No. 06-1-1141-06, the plaintiffs alleged that they were entitled to medical and dental benefits substantially equal to active employees, and that the medical and dental benefits provided to retirees were inferior to the benefits guaranteed by law. The counties argued that the lawsuit should be directed to the EUTF, but were not successful, and have spent considerable time and resources defending this case.

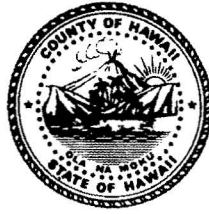
The Everson case illustrates another way the actions of the EUTF board profoundly affect counties, as employers. Changes to the benefit package made by the EUTF board, whether by vote or negotiations with the benefit providers, directly and immediately affect all county employees and retirees. The coverage provided in the past could be decreased. Coverage for drugs or treatment could be eliminated or reduced. Should this occur, county employees will hold their employers accountable.

The mayors believe that the counties should be able to vote on policies and costs we have to bear, and that we should be able to make those decisions that affect our employees and retirees.

The HCOM strongly supports passage of this bill, and thanks the committee for the opportunity to present testimony.

000288

**William P. Kenoi**  
Mayor



**William T. Takaba**  
Managing Director

**Walter K.M. Lau**  
Deputy Managing Director

## County of Hawai'i

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KONA: 75-5706 Kuakini Highway, Suite 103 • Kailua-Kona, Hawai'i 96740  
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February 3, 2009

The Honorable Karl Rhoads, Chair  
And Members of the House Committee on Labor and Public Employment  
State Capitol  
415 South Beretania Street  
Honolulu, Hawai'i 96813

RE: House Bill 850, Relating To The Employer-Union Health Benefits Trust Fund

Dear Chair Rhoads and Representatives:

Thank you for this opportunity to submit testimony in support of House Bill No. 850, which proposes amendments to Section 87A-5, Hawai'i Revised Statutes to provide for county representation on the Employer-Union Health Benefits Trust Fund (EUTF) board of trustees.

The EUTF board of trustees administers and implements health and other benefit plans for public employees, a role that has vast impact on the counties, their workers and their retirees. The board decides which health and other benefits will be provided to public employees and retirees. It also negotiates with insurance companies and other benefit providers, thereby determining the cost of the benefit package to public employers.

The counties' contributions to the financing of EUTF grow each year, and it is time to ensure that Hawaii County and all of the other counties have representation on the board. The law now sets aside five seats on the board for public employers, but in recent years the governor's appointments to these seats have not included representatives of the counties.

Apart from the cost to the counties for benefits, the court case Everson, et al. v. State of Hawai'i, et al. in 2006 demonstrated that the counties may be required to defend the decisions of the EUTF board on matters such as changes in retirees' benefits. It is patently unfair to require that the county be held legally responsible for the actions of the board even as the counties are denied a voice on the board or a vote its decisions.

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The County of Hawai'i joins the other counties in respectfully urging the Legislature to give each of us a voice on the board so that we may help shape policies that affect our workforce and retirees, and so that we have a voice in establishing the costs that we must pay.

We strongly support passage of this Bill, and thank the Committee for the opportunity to present testimony.

Aloha,

Billy Kenoi  
MAYOR

000240



**TESTIMONY OF THE  
DIRECTOR OF FINANCE  
COUNTY OF KAUA'I**

**TO THE HOUSE COMMITTEE  
ON LABOR & PUBLIC EMPLOYMENT**

**TWENTY-FIFTH LEGISLATURE  
REGULAR SESSION OF 2009**

February 3, 2009  
8:30 a.m.

**TESTIMONY ON HOUSE BILL NO. 850, RELATING TO THE EMPLOYER-UNION  
HEALTH BENEFITS TRUST FUND.**

**TO THE HONORABLE KARL RHOADS, CHAIR, AND MEMBERS OF THE COMMITTEE:**

My name is Wallace Rezentes, Jr., Director of Finance, County of Kaua'i (County), submitting testimony in favor of House Bill No. 850. The Bill proposes amendments to Section 87A-5, Hawai'i Revised Statutes to provide for county representation on the Employer-Union Health Benefits Trust Fund (EUTF) board of trustees.

The EUTF board of trustees administers and implements health and other benefit plans for public employees. In this role, it decides which health and other benefits will be provided to public employees and retirees. Through its negotiations with insurance companies and other benefit providers, it also determines the cost of the benefit package to public employers. Thus, the EUTF affects public employers in two ways. The benefits provided affect the health and morale of their employees and retirees, and the cost of the benefit package affect their bottom lines.

The level of funding provided by the counties is significant, as county employees are an important part of EUTF membership. The cost to the County to fund benefit costs for its employees and retirees grew from \$8 million in fiscal year 2006 to over \$15 million in fiscal year 2008.

In a companion measure, House Bill No. 849, the counties, through the Council of Mayors, are proposing county representation on the Employees' Retirement System (ERS) board of trustees. Representation on the EUTF and ERS boards is important to the County because contributions to these systems represent 18 percent of the County's budget. Although the current statute sets aside five seats on the board for public employers, appointments for these seats are at the discretion of the governor, and counties have not been represented on the board for a number of years. Left without a voice, the counties' role is limited to funding EUTF board decisions. The County also fully funds its EUTF obligations. In contrast, the State, which currently holds five seats on the board, does not fully fund its own obligations.

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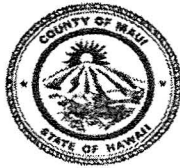
Even if they do not have a say in EUTF decisions, the counties are exposed to the liability for decisions made by the EUTF board. In June, 2006, the counties, along with the State, the EUTF and the trustees of the EUTF, were named as defendants in a lawsuit filed by several State retirees in the federal court. In the case, entitled Everson, et al. v. State of Hawai'i, et al., Civil No. 06-1-1141-06, the plaintiffs alleged that they were entitled to medical and dental benefits substantially equal to active employees, and that the medical and dental benefits provided to retirees were inferior to the benefits guaranteed by law. The counties argued that the lawsuit should be directed to the EUTF, but were not successful, and have spent considerable time and resources defending this case.

The Everson case illustrates another way the actions of the EUTF board profoundly affect counties, as employers. Changes to the benefit package made by the EUTF board, whether by vote or negotiations with the benefit providers, directly and immediately affect all county employees and retirees. The coverage provided in the past could be decreased. Coverage for drugs or treatment could be eliminated or reduced. When this occurs, county employees will hold their employers accountable.

We believe that we should be able to vote on policies and costs we have to live with, and that we should be able to address the decisions that affect our employees and retirees.

We strongly support passage of this Bill, and thank the Committee for the opportunity to present testimony.

CHARMAINE TAVARES  
Mayor



KALBERT K. YOUNG  
Director of Finance

AGNES M. HAYASHI  
Deputy Director of Finance

COUNTY OF MAUI

**DEPARTMENT OF FINANCE**  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793

February 2, 2009

Honorable Karl Rhoads, Chair  
and Members, House Committee on Labor & Public Employment  
State House of Representatives  
Hawaii State Capitol, Room 309  
Honolulu, Hawaii 96813

**RE: HB 850-RELATING TO THE EMPLOYER-UNION HEALTH  
BENEFITS TRUST FUND**

Dear Representative Rhoads and Committee Members:

HB 850, like similar legislation in HB 849, will allow for the opportunity of County Finance Directors to represent their Counties on the State Employer-group boards. In the case of HB 850, this legislation will allow for County representation on the Board of the Employer-Union Health Benefits Trust Fund (EUTF). The Counties are major contributors as employers of the EUTF. The County of Maui has over 2,300 current and active employees in the EUTF.

As employers who are financially impacted and responsible to implement the actions of the Board, it is logical and reasonable to allow County representation. Such participation can be of further benefit by allowing specific County financial perspectives on the Board.

The County of Maui urges your support of HB 850.

Sincerely,

A handwritten signature in black ink, appearing to be "K. Young", written over a horizontal line.

KALBERT K. YOUNG  
Director of Finance

KKY:jlrk

000243



**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**

AFSCME Local 152, AFL-CIO

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*Deputy Executive Director*  
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The Twenty-Fifth Legislature, State of Hawaii  
Hawaii State House of Representatives  
Committee on Labor and Public Employment

Testimony by  
Hawaii Government Employees Association  
February 3, 2009

**H.B. 850 – RELATING TO THE  
EMPLOYER – UNION HEALTH  
BENEFITS TRUST FUND**

The Hawaii Government Employees Association (HGEA), AFSCME Local 152, AFL-CIO supports H.B. 850. This bill requires four of the five seats on the EUTF board of trustees allocated to public employers be occupied by the respective county directors of finance.

The Governor currently appoints five trustees on the EUTF board. It would be in the best interest of the State to have the Governor appoint additional county representatives to provide fiscal expertise and knowledge regarding their respective county's finances. The counties contribute their share of payments into the EUTF and should have representation in the decision making process.

Thank you for the opportunity to testify in support of this measure.

Respectfully submitted,

Nora A. Nomura  
Deputy Executive Director

**yamashita1- Kathy**

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**From:** Beverly Gotelli [bgotelli@msn.com]  
**Sent:** Monday, February 02, 2009 8:57 AM  
**To:** LABtestimony  
**Subject:** Oppose HB 850 Relating to the Employer-Uniion Health Benefits Trust Fund, Feruary 3, 2009  
8:30 am Rm 309

Beverly Gotelli  
HB 850 Relating to the Employer-Unions Health Benefits Trust Fund  
Tuesday, February 3, 2009  
Rm 309  
30 copies

TESTIMONY BEFORE THE HOUSE COMMITTEE ON  
LABOR

RE: HB 850 RELATING TO THE EMPLOYER-UNIION HEALTH BENEFITS  
TRUST FUND

February 3, 2009

Chair Rhoads and Members of the Committee:

My name is Beverly Gotelli and I am opposed to HB 850 which would require four of the five seats on the Board of Trustees be occupied by the respective County Directors of Finance.

The current composition has been working since its beginning and I don't believe there is a need to make a change at this time. The Boards composition currently is represented with an equal number from both the employers and employees representatives. By increasing the members, the employer would have a majority of seats on the Board.

I urge the Committee to oppose this legislation.

Thank you for the opportunity to testify.

Beverly Gotelli

Beverly A. Gotelli

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