

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 2175, S.D. 1, H.D. 1

March 29, 2010

RELATING TO THE EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Senate Bill No. 2175, S.D. 1, H.D. 1, amends Chapter 87A-5(2), Hawaii Revised Statutes, to require one trustee of the Employer-Union Health Benefits Trust Fund to be occupied by a representative appointed by the Hawaii Council of Mayors to represent County interests.

This department opposes the proposed amendment to the Board of Trustees of the Employer-Union Health Benefits Trust Fund as the current statute already allows for the flexibility to include County representation. Chapter 87A-5(2), Hawaii Revised Statutes, states that the composition of the board shall include "Five trustees to represent public employers." Thus, nothing in the current statute precludes the County mayors from making a nomination of a member for the Governor's consideration to occupy an employer seat on the Board of Trustees.

LINDA LINGLE
GOVERNOR OF HAWAII



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 25, 2010

TESTIMONY TO THE
HOUSE COMMITTEE ON FINANCE
For Hearing on Monday, March 29, 2010
5:00 p.m., Conference Room 308

BY

MARIE C. LADERTA, DIRECTOR

**Senate Bill No. 2175, Senate Draft 1, House Draft 1
Relating to the Employer-Union Health Benefits Trust Fund**

WRITTEN TESTIMONY ONLY

TO CHAIRPERSON MARCUS OSHIRO AND MEMBERS OF THE COMMITTEE:

The purpose of S. B. 2175, S. D. 1, H. D. 1 is to require that one of the five seats on the Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees allocated to public employers be occupied by a member appointed by the Hawaii Council of Mayors.

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.

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 in opposition on this matter.

HAWAII COUNCIL OF MAYORS

Testimony of the

Hawaii Council of Mayors

Bernard Carvalho, Jr., Mayor of Kauai County
Mufi Hannemann, Mayor of the City and County of Honolulu
Billy Kenoi, Mayor of Hawaii County
Charmaine Tavares, Mayor of Maui County

Before a Hearing of the
House Committee on Finance

March 29, 2010

Senate Bill 2175, Senate Draft 1, House Draft 1, Relating to the Employer-Union Health Benefits Trust Fund

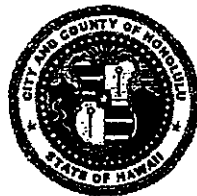
The Hawaii Council of Mayors supports Senate Bill 2175, S.D.1, H.D.1, which amends Section 87A-5 of the Hawaii Revised Statutes to provide for county representation on the Employer-Union Health Benefits Trust Fund board of trustees.

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.

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.



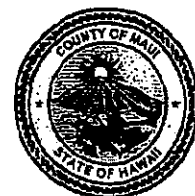
Mayor Billy Kenoi
County of Hawaii
25 Aupuni Street
Hilo, Hawaii 96720



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



Mayor Bernard Carvalho, Jr.
County of Kauai
4444 Rice Street, Suite 235
Lihue, Hawaii 96766



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

The level of funding provided by the counties is significant, as county employees are an important part of EUTF membership. The members of the Legislature are keenly aware of the double-digit increases in health insurance costs imposed by the EUTF earlier this fiscal year, and the hikes anticipated in the coming months. The counties are being apprised of these unprecedented increases without having any formal role in the process.

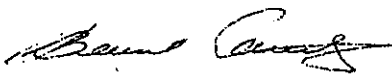
In one extreme example, the counties have even been sued for decisions made by the EUTF board, without the knowledge or consent of the counties. In June 2006, the counties, along with the state, EUTF, and its trustees, were named as defendants in a lawsuit filed by several state retirees in federal court. 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 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 may similarly attempt to 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 its consideration of this measure.

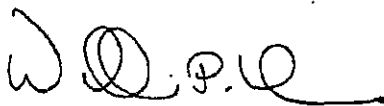
Mahalo.



Bernard P. Carvalho, Jr.
Mayor of Kauai County



Mufi Hannemann
Mayor of the City and County of Honolulu



William P. Kenoi
Mayor of Hawaii County



Charmaine Tavares
Mayor of Maui County



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The Twenty-Fifth Legislature, State of Hawaii
Hawaii State House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association
March 29, 2010

S.B. 2175, S.D. 1, H.D. 1, H.D. 1 -
RELATING TO THE HAWAII
EMPLOYER-UNION HEALTH
BENEFITS TRUST FUND

The Hawaii Government Employees' Association, AFSCME Local 152, AFL-CIO is offering comments on S.B. 2175, S.D. 1, H.D. 1, which would add an eleventh trustee to the EUTF board representing county employers. The counties contribute a substantial amount to the fund. The health and well-being of county employees and retirees depend upon the benefit decisions made by the board of trustees. As proposed, one of the employer trustees would be appointed by the Hawaii Council of Mayors to represent the City and County of Honolulu and the neighbor island counties.

While we agree the counties should be represented on the EUTF board, this matter would be better addressed through comprehensive legislation contained in S.B. 2849, S.D. 2. It changes not only the composition of the EUTF board, but how health benefits are actually provided to beneficiaries. There are serious problems with the current structure and operation of the EUTF that warrant comprehensive reform right now.

Consequently, we respectfully request that S.B. 2175, S.D. 1, H.D. 1 be deferred so consideration can be given to S.B. 2849, S.D. 2 to resolve these and other important issues related to the EUTF.

Thank you for the opportunity to testify on S.B. 2175, S.D. 1, H.D. 1.

Respectfully submitted,

Kevin Mulligan

Nora A. Nomura
Deputy Executive Director