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GOVERNOR OF HAWAII



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STATE OF HAWAII  
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT  
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HONOLULU, HAWAII 96813-2437

March 9, 2010

TESTIMONY TO THE  
HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
For Hearing on Friday, March 12, 2010  
10:00 a.m., Conference Room 309

BY

MARIE C. LADERTA, DIRECTOR

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

**WRITTEN TESTIMONY ONLY**

TO CHAIRPERSON KARL RHOADS AND MEMBERS OF THE COMMITTEE:

The purpose of S. B. 2175, S. 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.

WRITTEN ONLY

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

March 12, 2010

RELATING TO THE EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Senate Bill No. 2175, S.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.

# 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  
**Senate Committee on Transportation,  
International and Intergovernmental Affairs**

March 10, 2010

### **Senate Bill 2175, SD1, Relating to the Employer-Union Health Benefits Trust Fund**

The Hawaii Council of Mayors supports Senate Bill 2175, SD1 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 amendment provides for the measure to become effective upon approval.

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.



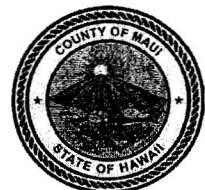
**Mayor Billy Kenoi**  
County of Hawaii  
25 Aupuni Street  
Hilo, Hawaii 96720



**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.

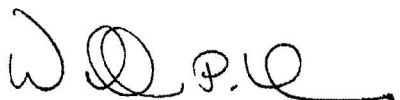
Mahalo.



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



**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**

AFSCME Local 152, AFL-CIO

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**The Twenty-Fifth Legislature, State of Hawaii  
Hawaii State House of Representatives  
Committee on Labor & Public Employment**

**Testimony by  
Hawaii Government Employees Association  
March 12, 2010**

**S.B. 2175, S.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, 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 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.

Respectfully submitted,

**Nora A. Nomura  
Deputy Executive Director**



Derek S.K. Kawakami, President  
Kauai County Council  
4396 Rice Street, Room 206  
Lihue, Hawaii 96766-1371

# Hawai'i State Association of Counties (HSAC)

Counties of Kauai, Maui, Hawaii, and City & County of Honolulu



Nestor Garcia, Vice President  
Honolulu City Council  
530 S. King Street, Room 202  
Honolulu, Hawaii 96813

**LATE**

**TESTIMONY OF DEREK S. K. KAWAKAMI  
PRESIDENT, HAWAI'I STATE ASSOCIATION OF COUNTIES**

**HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT  
March 12, 2010 AT 10:00 A.M.  
CONFERENCE ROOM 309, STATE CAPITOL**

- **Senate Bill No. 2175, SD1: Relating to the Employer-Union Health Benefits Trust Fund**

The Honorable Karl Rhoads, Chair, House Committee on Labor & Public Employment and Committee Members:

My name is Derek S. K. Kawakami, and I submit this testimony in my capacity as President of the Hawai'i State Association of Counties (HSAC).

HSAC supports the concept of S.B. 2175, S.D.1 which proposes to amend Section 87A-5 of Hawai'i Revised Statutes to provide for county representation on the Hawai'i Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees. However, HSAC does not support the amendment which changed the effective date of the bill until July 1, 2050.

In addition, HSAC recommends that there be a more specific process of appointment, in which a board member be selected by the Hawai'i Council of Mayors (HCOM) and forwarded to the HSAC for confirmation.

Thank you for this opportunity to submit this testimony.

LP



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Maui County Council  
200 South High Street  
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Dennis "Fresh" Onishi, Secretary  
Hawaii County Council  
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Hilo, Hawaii 96720