



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-FIFTH LEGISLATURE, 2010**

ON THE FOLLOWING MEASURE:

S.B. NO. 2393, S.D. 1, MAKING AN APPROPRIATION FOR COLLECTIVE BARGAINING COST ITEMS.

BEFORE THE:

SENATE COMMITTEE ON WAYS AND MEANS

DATE: Tuesday, February 23, 2010 **TIME:** 10:10 a.m.

LOCATION: State Capitol, Room 211

TESTIFIER(S): WRITTEN COMMENTS ONLY. For more information, call Maria C. Cook, Deputy Attorney General, at 587-2900.

Chair Kim and Members of the Committee:

The Department of the Attorney General opposes this bill because it is contrary to section 87A-32, Hawaii Revised Statutes (HRS), and the agreement between the HGEA and the State of Hawaii.

The purpose of this bill is to require the employer to contribute to the Employer-Union Health Benefits Trust Fund (EUTF), sixty percent of the health premiums for the employees in collective bargaining units (2), (3), (4), (6), (8), (9), and (13) for fiscal biennium 2009-2011.

The bill has two legal problems. First, requiring the employer to pay sixty percent of the health premiums is contrary to the language of section 87A-32(a)(1), HRS. Section 87A-32(a)(1), HRS, specifically mandates that the monthly contribution specified in the collective bargaining agreement "shall be a specified dollar amount," and not a percentage amount.

Second, the effective date and time period covered (fiscal year 2009-2010), are contrary to the agreement entered into between the employer and the union. For plan year 2009-2010, it was agreed through a letter of understanding between the HGEA and the employer that the employer shall continue to pay the

same dollar amount indicated for plan year 2008-2009 (effective July 1, 2008 - June 30, 2009), as contained in the 2007-2009 HGEA collective bargaining agreement. (See Attachment A). The parties agreed that for plan year 2010-2011 only, the parties shall request the legislature to decide the amount of contributions. Id.

We respectfully ask the Committee to hold this bill in its current form.

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2393, S.D. 1

February 23, 2010

MAKING AN APPROPRIATION FOR COLLECTIVE BARGAINING COST ITEMS

Senate Bill No. 2393, S.D. 1, provides for the employer to pay 60% of the Hawaii Employer-Union Trust Fund (EUTF) premiums, except for \$4.16 for 100% of the premiums and administrative fees for group life insurance for the employees in collective bargaining units 2, 3, 4, 6, 8, 9, and 13 for Fiscal Years 2009-2010 and 2010-2011. Appropriations are provided, but the amounts are blank.

We have the following concerns with this measure: 1) the measure does not comply with Section 87A-32, Hawaii Revised Statutes, which requires the monthly contributions be a specified dollar amount; 2) the measure does not specify who will pay the administrative fees (except for life insurance); 3) the State and the Hawaii Government Employees Association already reached an agreement to maintain the same dollar amount as Fiscal Year 2008-2009 for Fiscal Year 2009-2010; and 4) the current fiscal situation of the State does not allow for funding of this measure.

If the State continues to pay 100% of administrative fees, it is estimated this proposal will cost \$12.2 million in Fiscal Year 2009-2010 and \$12.2 million in Fiscal Year 2010-2011 for the specified units. Extending the provisions of this measure to all State employees (this extension would be automatic for bargaining unit 7, due to contract

provisions) would cost an estimated \$27.4 million in Fiscal Year 2009-2010 and \$27.4 million in Fiscal Year 2010-2011. We are awaiting opening enrollment data from EUTF in order to update these estimates.

The State's position has been to continue to pay contributions of the same dollar amount as Fiscal Year 2008-2009. A letter reflecting this position, including current contribution amounts, has been submitted to President Hanabusa. Currently, the State is paying between 44% (HMSA HMO) and 65% (HMSA HDHP) (see attached) of the medical plan costs. The State pays approximately 50% of the cost of a bundle of the most popular medical with drug, vision, dental, and life.

Attachment

EUTF Employer Share FY 10 Final - Based on FY 09 Employer Contribution Amounts - Unbundled Drug All Except Units 7, 11, and 12

Benefit Plan		Total			Employer			Employer Total	% Prem Employer	% Total Employer	Employee	% Total Employee	% Total Employee
		Premium	Admin	Total	Premium	Admin Fee	Total Employer						
<u>EUTF HMA PPO (90/10)</u> (Medical/Chiro)	Self	281.22	2.14	283.36	134.65	2.14	136.79	136.80	47.9%	48.3%	146.56	52.1%	51.7%
	2-Party	683.21	4.49	687.70	327.11	4.49	331.60	331.60	47.9%	48.2%	356.10	52.1%	51.8%
	Family	870.48	6.56	877.04	416.80	6.56	423.36	423.36	47.9%	48.3%	453.68	52.1%	51.7%
<u>EUTF HMSA PPO (80/20)</u> (Medical/Chiro)	Self	272.02	2.14	274.16	134.65	2.14	136.79	136.80	49.5%	49.9%	137.36	50.5%	50.1%
	2-Party	660.84	4.50	665.34	327.11	4.50	331.60	331.60	49.5%	49.8%	333.74	50.5%	50.2%
	Family	841.96	6.56	848.52	416.80	6.56	423.36	423.36	49.5%	49.9%	425.16	50.5%	50.1%
<u>Kaiser HMO Comprehensive</u> (Medical/Drug/Chiro)	Self	309.19	2.75	311.94	166.47	2.75	169.22	169.22	53.8%	54.2%	142.72	46.2%	45.8%
	2-Party	750.67	5.77	756.44	404.43	5.77	410.21	410.20	53.9%	54.2%	346.24	46.1%	45.8%
	Family	957.00	8.44	965.44	515.29	8.44	523.72	523.72	53.8%	54.2%	441.72	46.2%	45.8%
<u>Kaiser HMO Basic</u> (Medical/Drug/Chiro)	Self	273.51	2.75	276.26	166.47	2.75	169.22	169.22	60.9%	61.3%	107.04	39.1%	38.7%
	2-Party	664.03	5.77	669.80	404.43	5.77	410.21	410.20	60.9%	61.2%	259.60	39.1%	38.8%
	Family	846.48	8.44	854.92	515.29	8.44	523.72	523.72	60.9%	61.3%	331.20	39.1%	38.7%
<u>EUTF HMSA HMO</u> (Medical/Drug/Chiro)	Self	381.57	2.75	384.32	166.47	2.75	169.22	169.22	43.6%	44.0%	215.10	56.4%	56.0%
	2-Party	927.06	5.78	932.84	404.43	5.78	410.21	410.20	43.6%	44.0%	522.64	56.4%	56.0%
	Family	1,181.47	8.43	1,189.90	515.29	8.43	523.72	523.72	43.6%	44.0%	666.18	56.4%	56.0%
<u>EUTF HMSA HDHP</u> (Medical/Drug)	Self	257.57	2.75	260.32	166.47	2.75	169.22	169.22	64.6%	65.0%	91.10	35.4%	35.0%
	2-Party	626.79	5.77	632.56	404.43	5.77	410.21	410.20	64.5%	64.8%	222.36	35.5%	35.2%
	Family	798.99	8.43	807.42	515.29	8.43	523.72	523.72	64.5%	64.9%	283.70	35.5%	35.1%
<u>Royal Supplemental</u> (Medical/Drug/Chiro)	Self	53.87	2.75	56.62	32.32	2.75	35.07	35.06	60.0%	61.9%	21.56	40.0%	38.1%
	2-Party	133.97	5.77	139.74	80.38	5.77	86.15	86.14	60.0%	61.6%	53.60	40.0%	38.4%
	Family	148.96	8.44	157.40	89.38	8.44	97.82	97.82	60.0%	62.1%	59.58	40.0%	37.9%
<u>EUTF HMSA Supplemental</u> (Medical/Drug/Chiro)	Self	200.26	2.74	203.00	98.55	2.75	101.30	101.30	49.2%	49.9%	101.70	50.8%	50.1%
	2-Party	487.03	5.77	492.80	239.62	5.77	245.39	245.38	49.2%	49.8%	247.42	50.8%	50.2%
	Family	620.14	8.42	628.56	305.05	8.43	313.48	313.48	49.2%	49.9%	315.08	50.8%	50.1%
<u>EUTF NMHC Drug Only</u>	Self	63.25	0.61	63.86	31.82	0.61	32.43	32.42	50.3%	50.8%	31.44	49.7%	49.2%
	2-Party	153.77	1.29	155.06	77.32	1.29	78.61	78.60	50.3%	50.7%	76.46	49.7%	49.3%
	Family	196.09	1.87	197.96	98.49	1.87	100.36	100.36	50.2%	50.7%	97.60	49.8%	49.3%
<u>HDS Dental²</u>	Self	30.48	0.30	30.78	16.76	0.30	17.06	17.06	55.0%	55.4%	13.72	45.0%	44.6%
	2-Party	60.92	0.66	61.58	33.53	0.66	34.19	34.18	55.0%	55.5%	27.40	45.0%	44.5%
	Family	100.40	0.94	101.34	69.73	0.94	70.67	70.66	69.5%	69.7%	30.68	30.6%	30.3%
<u>VSP Vision Plan</u>	Self	5.98	0.06	6.04	3.59	0.06	3.65	3.64	60.0%	60.3%	2.40	40.1%	39.7%
	2-Party	11.06	0.12	11.18	6.64	0.12	6.76	6.76	60.0%	60.5%	4.42	40.0%	39.5%
	Family	14.45	0.17	14.62	8.67	0.17	8.84	8.84	60.0%	60.5%	5.78	40.0%	39.5%
<u>Life, All Units²</u>		4.12	0.04	4.16	4.12	0.04	4.16	4.16	100.0%	100.0%	-	0.0%	0.0%



RANDY PERREIRA
Executive Director
Tel: 808.543.0011
Fax: 808.528.0922

NORA A. NOMURA
Deputy Executive Director
Tel: 808.543.0003
Fax: 808.528.0922

DEREK M. MIZUNO
Deputy Executive Director
Tel: 808.543.0055
Fax: 808.523.6879

The Twenty-Fifth Legislature, State of Hawaii
Hawaii State Senate
Committee on Ways and Means

Testimony by
Hawaii Government Employees Association
February 23, 2010

S.B. 2393, S.D. 1 – MAKING AN
APPROPRIATION FOR
COLLECTIVE BARGAINING
COST ITEMS

The Hawaii Government Employees' Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of S.B. 2393, S.D. 1, which allows the legislature to resolve the differences between the HGEA and the administration over the amount of employer contributions to the Employer-Union Health Benefits Trust Fund (EUTF). The state and the union are not permitted to use the binding arbitration process to resolve their differences over EUTF contributions. It was agreed through a letter of understanding that the legislature would make the final decision in this matter.

Historically, the employer paid 60% of the premium and the employee the remaining 40%. However, since the beginning of the current fiscal year, employees have been forced to pay a higher percentage of the health insurance premiums. A recent increase of almost 24% came entirely from state employees, making it difficult for some to afford health insurance.

According to the National Conference of State Legislatures, in 2009, states paid an average of 89% of the health insurance premium. 14 states paid 100% of the monthly premium costs for a basic or standard plan for some or all of individual employees. Seven states paid 100% of the "defined standard" monthly premium costs for at least some families of state employees.

In comparison, many Hawaii state employees are now paying more than 50% of their premiums at the same time their pay is being reduced by approximately 8%. The state lacked awareness about limits on employees' ability to absorb radical cost increases in years without pay increases. Under these circumstances, premium cost increases should be shared proportionally or paid entirely by the employer. Therefore, it is extremely important that employee (individual) and family health care premiums remain affordable. S.B. 2393, S.D. 1 would return the sharing of health care premium costs to traditional levels where the employer paid 60%.

Hawaii State Senate - Committee on Ways and Means
Re: S.B. 2393, S.D. 1 – Making An Appropriation for Collective Bargaining Cost Items
February 23, 2010
Page 2

We are also supporting legislation that will modernize public employee health insurance through the negotiation of employer contributions and benefits, similar to the private sector. Benefits such as health insurance are an integral part of total compensation and should be negotiated.

Thank you for the opportunity to testify on S.B. 2393, S.D. 1.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Nora A. Nomura", with a long horizontal flourish extending to the right.

Nora A. Nomura
Deputy Executive Director