



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

ON THE FOLLOWING MEASURE:

S.B. NO. 2884, S.D. 2, MAKING AN APPROPRIATION FOR COLLECTIVE BARGAINING COST ITEMS.

BEFORE THE:

HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

DATE: Friday, March 12, 2010 **TIME:** 10:00 a.m.

LOCATION: State Capitol, Room 309

TESTIFIER(S): Mark J. Bennett, Attorney General, or
Maria C. Cook, Deputy Attorney General

Chair Rhoads 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).

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 unit (10) for fiscal biennium 2009-2011.

The bill is contrary to the language of section 87A-32(a)(1), HRS, which specifically mandates that the monthly contribution specified in the collective bargaining agreement "shall be a specified dollar amount," and not a percentage amount. If this bill is passed, it should be amended to reflect a specific dollar amount in order to comply with the statute. In the alternative, the bill should be amended to state that the Employer shall pay a "specific dollar amount" equivalent to a certain percentage of the premium rate for the specified plan years.

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. 2884, S.D. 2

March 12, 2010

MAKING AN APPROPRIATION FOR COLLECTIVE BARGAINING COST ITEMS

Senate Bill No. 2884, S.D. 2, 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 unit 10 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; 3) the Hawaii Government Employees Association (HGEA) and the State entered into a Letter of Understanding that provides for the same employer contributions as Fiscal Year 2008-2009 for Fiscal Year 2009-2010 for the State. While we are still advocating the same contribution as Fiscal Year 2008-2009 for both Fiscal Year 2009-2010 and 2010-2011, bargaining unit 10 should not receive a higher contribution than the HGEA bargaining units (2, 3, 4, 6, 8, 9, and 13); and the current fiscal situation of the State cannot sustain funding of this measure.

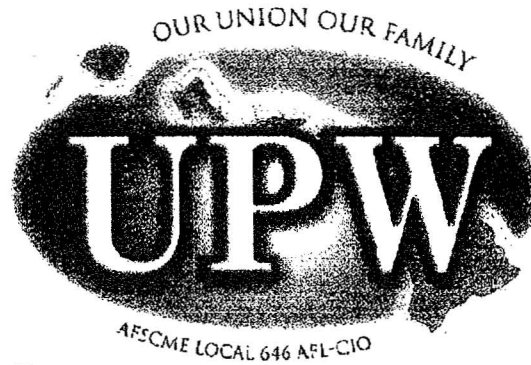
If the State continues to pay 100% of administrative fees, it is estimated this proposal will cost \$1.6 million in Fiscal Year 2009-2010 and \$1.6 million in Fiscal Year 2010-2011 (without any rate increases for Fiscal Year 2010-2011) for the bargaining unit 10. Extending the provisions of this measure to all State employees (this extension would be automatic for bargaining unit 7, due to contract provisions) would cost an estimated \$25.3 million in Fiscal Year 2009-2010 and \$25.3 million in Fiscal Year 2010-2011 (without any rate increases for Fiscal Year 2010-2011).

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 Speaker Say. 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, drug, vision, dental, and life benefits.

Attachment

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

<u>Benefit Plan</u>		<u>Total</u>			<u>Employer</u>			<u>Employer Total</u>	<u>% Prem Employer</u>	<u>% Total Employer</u>	<u>Employee</u>	<u>% Total Employee</u>	<u>% Total Employee</u>
		<u>Premium</u>	<u>Admin</u>	<u>Total</u>	<u>Premium</u>	<u>Admin Fee</u>	<u>Employer</u>						
<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%



LATE

House of Representatives
 The Twenty-Fifth Legislature
 Regular Session of 2010

Committee on Labor & Public Employment
 Rep. Karl Rhoads, Chair
 Rep. Kyle T. Yamashita, Vice Chair

DATE: Friday, March 12, 2010
 TIME: 10:00 a.m.
 PLACE: Conference Room 309

**TESTIMONY OF THE UNITED PUBLIC WORKERS, LOCAL 646, ON SB 2884,
 SD2, MAKING AN APPROPRIATION FOR COLLECTIVE BARGAINING
 COST ITEMS.**

This measure appropriates moneys to fund collective bargaining cost items for collective bargaining unit (10) relating to the employer contributions to the Hawaii employer-union health benefits trust fund. Effective 07/01/2050.

My name is Dayton M. Nakanelua, state director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). The UPW represents approximately 2,961 institutional, health, and correctional workers in bargaining unit 10 under chapter 89. **We are in favor of the intent and purpose of this measure which appropriates funds to pay sixty percent (60%) of the final premium rates established by the Hawaii employer union health benefits trust fund (EUTF) for health benefit plans for bargaining unit 10 employees.**

Since the mid-1970's the State and counties have consistently paid 60% of the premium costs of providing health fund coverage and benefits. Following the formation of the EUTF in 1985 under chapter 87A public employers have continued to pay not less than 60% of premium costs, while employees have paid 40% of premium costs.

As a general rule the proportion of health benefit costs assumed by the public sector is the highest in Hawaii. Employees of organized hospitals do not pay more than 10% for health benefit coverage at Queens Medical Center, 10% at Kaiser Permanente Hospital, or 16% at Straub Clinic and Hospital. Employees in the construction industry who are unionized pay no amount for health benefit contributions, their employers pay 100% of the premium cost for health benefits. Employees working for unionized utilities pay at the most 10% of their health benefits and care. Employees of hotels in the state who are represented by ILWU do not pay more than 25% of the health benefit contribution amounts.

Any change in the employer-employee ratio for health care benefits is significant because medical benefit premium increases nationally have been running between 9.5% to 12% annually. On July 1, 2009 the health benefit premiums for unit 10 employees increased by double digits. Although the contribution amounts per month increased for both employer and employee the counties agreed to continue the 60% (employer) 40% (employee) ratio on the entire premium cost, on and after July 1, 2009. For county employees the overall increase still represented a 24% increase in employee costs, effective July 1, 2009. The State unilaterally refused to maintain the 60-40 ratio and insisted that employees pay the entire amount of the increase in premiums on and after July 1, 2009. The net effect of the State's action was to reduce their share of the overall premium costs from 60% to between 42% to 51.3% depending on the medical plan involved, thereby increasing the employee portion from 40% of premium cost to up to as much as 58%. The State's action caused the monthly cost for health benefits for State employees to increase by 60.4% to 62.2%. Uniformity between State and county contribution amounts is vital to employee morale, particularly where there have been cuts in wages.

We recommend amending this measure to include Unit 1 employees, with the employer paying the same 60% of the premiums for this bargaining unit. As you know, negotiations between the union and employer have concluded and the proposed contract is now being voted on by Unit 1 members.

Accordingly, with this amendment, we urge your favorable action on this measure.