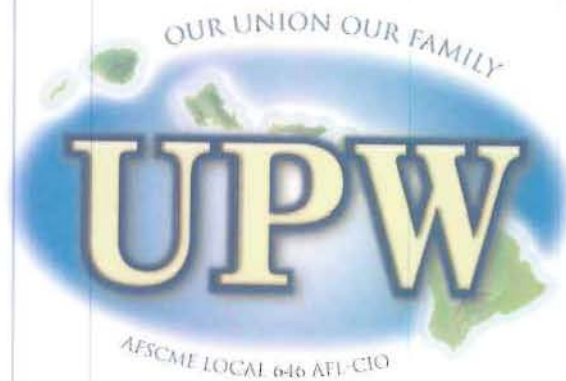


TESTIMONY

SB 2884



The Senate
The Twenty-Fifth Legislature
Regular Session of 2010

Committee on Labor
Senator Dwight Y. Takamine, Chair
Senator Brian T. Taniguchi, Vice Chair

DATE: Tuesday, February 2, 2010
TIME: 3:00 p.m.
PLACE: Conference Room 224
State Capitol
415 South Beretania Street

**TESTIMONY OF THE UNITED PUBLIC WORKERS, AFSCME,
LOCAL 646, AFL-CIO ON S.B. 2884 REGARDING MAKING AN
APPROPRIATION FOR COLLECTIVE BARGAINING COST ITEMS**

My name is Dayton M. Nakanelua and I am the 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 Senate Bill No. 2884** 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 from July 1, 2009 to June 30, 2011.

As you know, on January 14, 2010 an arbitration panel rendered a decision and award for a reduction of wages of 5.45% for state employees, and furloughs for employees of the Hawaii Health Systems Corporation. The Union and the Employer have been unable, within 10 working days of the award, to resolve the amount of contributions by the State and Counties. Section 89-11 (g), Hawaii Revised Statutes (HRS), requires the Union and Employer to submit their respective recommendations to the legislature for a

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final determination on the amounts within five days. On February 1, 2010 we submitted our recommendation to the legislature. See attachment 1.

Our recommendation is consistent with the intent and purpose of S.B. No. 2884 which essentially renews the prior Unit 10 Agreement as set forth in Section 62. for the next two years by payment of a specific dollar amount equivalent to sixty percent (60%) of the final premium rates for health benefit plans. 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.

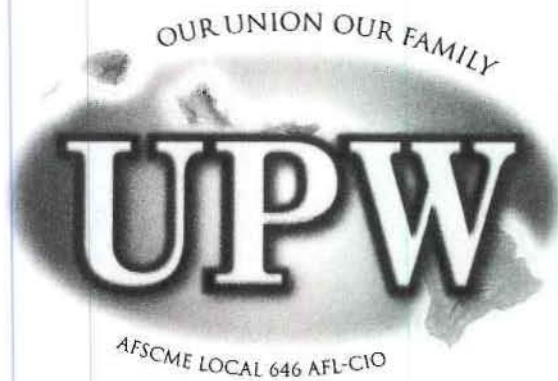
As a general rule the proportion of health benefit costs assumed by the public sector is the highest in Hawaii. Employees of organized hospitals do not pay more than 10% for health benefit coverage at Queens Medical Center, 10% at Kaiser Permanente Hospital, or 16% at Straub Clinic and Hospital.¹ Employees 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 at 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

¹ We refer to health care facilities because 1,050 of the 2,961 employees in bargaining unit 10 are employed by the Hawaii Health Systems Corporation.

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.

Accordingly, we urge your favorable action on this measure.



February 1, 2010

Colleen Hanabusa, Senate President
Hawaii State Capitol
415 South Beretania Street, Room 409
Honolulu, Hawaii 96813

Calvin K.Y. Say, House Speaker
Hawaii State Capitol
415 South Beretania Street, Room 431
Honolulu, Hawaii 96813

RE: Amount of Health Fund Contributions for Bargaining Unit 10 (2009 to 2011)

Dear Madame President and Mr. Speaker:

In behalf of bargaining the Unit 10 employees of the United Public Workers, AFSCME, Local 646, AFL-CIO (Union) hereby submits its recommendation to the legislature on the amount of contributions by the State and the Counties to the Hawaii Employer-Union Health Benefits Trust Fund for the period from July 1, 2009 to June 30, 2011, pursuant to Section 89-11 (g), Hawaii Revised Statutes.

On January 14, 2010 an arbitration panel rendered a decision and award for a reduction of wages of 5.45% or furloughs affecting approximately 2,900 Unit 10 employees. The Union and Employer have been unable, within 10 working days of the award, to resolve this issue. The statute, therefore, requires us to submit our recommendation to you for final determination.

Our recommendation is to renew the terms of the prior Unit 10 Agreement as set forth in Section 62.E. for the period July 1, 2009 to June 30, 2011. Under its terms the Employer would pay a specific dollar amount equivalent to sixty percent (60%) of the final premium rates established by the Trust Fund Board for the respective health benefit plans effective July 1, 2009. A copy of Section 62. is enclosed.

As you know, since the mid-1970's the State and Counties have paid 60% of the premium costs of providing health fund coverage and benefits. After the formation of the EUTF under Chapter 87A in 1985, the State and Counties continued to pay not less than 60% of premium costs, while employees have paid 40% of premium costs.

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Senate President Colleen Hanabusa
House Speaker Calvin Say
February 1, 2010
Page 2

Employees who perform similar services in the private sector generally pay much less. At Queens and Kaiser employees pay 10% for health benefit coverage. Moreover, the Counties have agreed to retain the 60-40 formula, and maintaining uniform terms and conditions is vital for employee morale (particularly in light of pay reductions).

Accordingly, we ask for your favorable consideration and action.

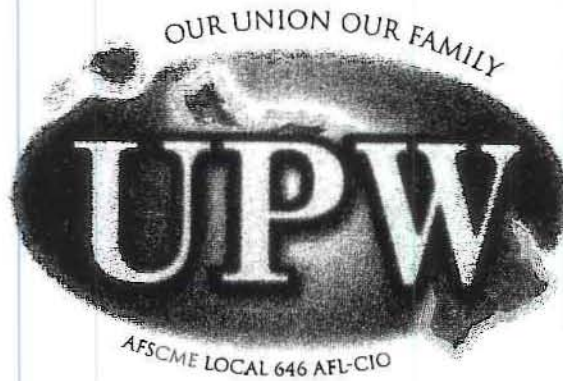
Sincerely,

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

DAYTON M. NAKANELUA
State Director

Enclosure

c: Donna Mercado Kim, Chair
Marcus R. Oshiro, Chair
Dwight Y. Takamine, Chair
Karl Rhoads, Chair



January 22, 2010

Ms. Marie C. Laderta, Chief Negotiator
Office of Collective Bargaining
State of Hawaii
235 S. Beretania Street, Suite 1201
Honolulu, Hawaii 96813

Re: Unit 10 Collective Bargaining Agreement

Dear Ms. Laderta:

In behalf of all bargaining unit 10 employees the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW) hereby requests to meet and confer, without delay, with "employer" to draft and finalize the July 1, 2009 to June 30, 2011 collective bargaining agreement in accordance with the January 14, 2010 arbitration decision and award.

We refer you to pages 26 and 27 of the decision and award by arbitrators Jonathan Dworkin, Clifford Uwaine, and Stanley Shiraki, which requires all negotiated provisions of the 2007 to 2009 agreement to be carried forward into the next agreement, including but not limited to Section 62.E.

Please advise within 10 working days of January 14, 2010 if the State refuses to pay the amount of employer contributions under Section 62. which the counties have agreed to pay from July 1, 2009 forward.

I look forward to your response by no later than January 27, 2010.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dayton M. Nakanelua', is written over the typed name.

DAYTON M. NAKANELUA
State Director

c: BU-10 Executive Negotiating Committee
Noel Ono, Acting Director, DHR, City & County of Honolulu
Thomas R. Keller, Administrative Director, The Judiciary
Alice Hall, Interim President & CEO, HHSC

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OUR UNION OUR FAMILY

UPW

AFSCME LOCAL 646 AFL-CIO

**UNITED PUBLIC WORKERS
UNIT 10 AGREEMENT**

JULY 1, 2007 - JUNE 30, 2009

SECTION 62. BENEFIT PLANS.

UNIT 10 AGREEMENT – July 1, 2007 to June 30, 2009

E. Effective July 1, 2009

Effective July 1, 2009 for plan year 2009 - 2010, with the exception of items 4 and 5, the Employer shall pay a specific dollar amount equivalent to sixty percent (60%) of the final premium rates established by the Trust Fund Board for the respective health benefit plan, plus one hundred percent (100%) of all administrative fees

1. The amounts paid by the Employer shall be based on the plan year 2009-2010 final monthly premium rates established by the Trust Fund for each Employee-Beneficiary with no dependent-beneficiaries enrolled in the following Trust Fund health benefit plans:
 - a. Medical (PPO HMO or HDHP) (drug & chiro)
 - b. Dual coverage (medical, drug, chiro)
 1. HMSA
 2. Royal State
 - c. Vision
 - d. Stand-alone Drug Plan

The Employer shall pay based on the prevalent medical benefit plan the same monthly contribution for each Employee-Beneficiary enrolled in a self only medical plan (PPO, HMO or HDHP), regardless of which plan is chosen.

2. The amounts paid by the Employer shall be based on the plan year 2009-2010 final monthly premium rates established by the Trust Fund for each Employee-Beneficiary with one dependent-beneficiary enrolled in the following Trust Fund health benefit plans:
 - a. Medical (PPO HMO or HDHP) (drug & chiro)
 - b. Dual coverage (medical, drug, chiro)
 1. HMSA
 2. Royal State
 - c. Vision
 - d. Stand-alone Drug Plan

The Employer shall pay based on the prevalent medical benefit plan the same monthly contribution for each Employee-Beneficiary enrolled in a two-party medical plan (PPO, HMO or HDHP), regardless of which plan is chosen.

UNIT 10 AGREEMENT – July 1, 2007 to June 30, 2009

3. The amounts paid by the Employer shall be based on the plan year 2009-2010 final monthly premium rates established by the Trust Fund for each Employee-Beneficiary with two or more dependent-beneficiaries enrolled in the following Trust Fund health benefit plans:

- a. Medical (PPO HMO or HDHP) (drug & chiro)
- b. Dual coverage (medical, drug, chiro)
 1. HMSA
 2. Royal State
- c. Vision
- d. Stand-alone Drug Plan

The Employer shall pay based on the prevalent medical benefit plan the same monthly contribution for each Employee-Beneficiary enrolled in a family medical plan (PPO HMO or HDHP), regardless of which plan is chosen.

4. a. For each Employee-Beneficiary with no dependent-beneficiaries enrolled in the Trust Fund's Dental plan, the Employer shall pay a specific dollar amount equivalent to sixty percent (60%) of the final premium rates established by the Trust Fund Board for the 2009-2010 Dental plan (self-only) plus one hundred percent (100%) of the administrative fee.
- b. For each Employee-Beneficiary with one dependent beneficiary enrolled in the Trust Fund's Dental plan, the Employer shall pay a specific dollar amount equivalent to sixty percent (60%) of the final premium rates established by the Trust Fund Board for the 2009-2010 Dental plan (two-party) plus one hundred percent (100%) of the administrative fee.
- c. For each Employee-Beneficiary with two or more dependent beneficiaries enrolled in the Trust Fund's Dental plan, the Employer shall pay a specific dollar amount based on the actual 2009-2010 Dental plan rates established by the Trust Fund Board, adjusted and calculated as described in Exhibit A.
5. For each Employee-Beneficiary enrolled in the Trust Fund group life insurance plan, the Employer shall pay one hundred percent (100%) of the monthly premium plus 100% of all administrative fees.