

HB1041
TESTIMONY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR
ON
HOUSE BILL NO. 1041, H.D. 2

March 21, 2011

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST
FUND

House Bill No. 1041, H.D. 2, eliminates Medicare Part B reimbursements for retired employee-beneficiaries and the spouses of employee-beneficiaries hired after June 30, 2011.

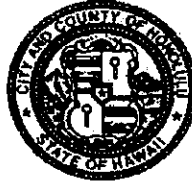
The Department of Budget and Finance believes that at a minimum, the Medicare Part B reimbursement amount should be capped at the current lower reimbursement level of \$96.40 per month, regardless of the hiring date of the employee.

Currently, there are 22,673 retirees and 7,464 spouses receiving the Medicare Part B reimbursement. Most of the retirees and spouses receive a quarterly benefit of \$289.20, while a small number receive a quarterly benefit of \$1,060.80. Medicare Part B reimbursements are projected to cost the State general fund \$41.7 million in FY 12 and \$46.8 million in FY 13, and are provided even if the spouse may never have been a State or county employee. Eliminating the reimbursement is one way of containing the ever-increasing cost of retiree health benefits paid by State and county employers and, thus, reducing the burden on taxpayers. Furthermore, this measure will facilitate sustainability of benefits under the Hawaii Employer-Union Health Benefits Trust Fund.

Attachment

DEPARTMENT OF BUDGET & FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, 2ND FLOOR • HONOLULU, HAWAII 96813
TELEPHONE: (808) 768-3900 • FAX: (808) 768-3179 • INTERNET: www.honolulu.gov/hr

PETER B. CARLISLE
MAYOR



MICHAEL R. HANSEN
DIRECTOR

March 21, 2011

The Honorable Clayton Hee, Chair
and Members of the Committee on
Judiciary and Labor
The Senate
State Capitol
Honolulu, Hawaii 96813

Dear Chair Hee and Members:

Subject: House Bill No. 814, House Draft 1, Relating to Public Employment
House Bill No. 1041, House Draft 2, Relating to the Hawaii Employer-
Union Health Benefits Trust Fund

The City and County of Honolulu offers the following comments related to House Bills 814, H.D. 1 and 1041, H.D. 2, which will limit the life insurance benefits to those who retire prior to July 1, 2011, and will eliminate the Medicare Part B reimbursement for retirees and their spouses for employees hired after June 30, 2011.

The City is supportive of initiatives, such as these, aimed at addressing the significant benefits liabilities we face. In the past fiscal year, the City's cost for the Medicare Part B reimbursement was approximately \$6.3 million.

Thank you for the opportunity to testify on these measures.

Yours truly,

Handwritten signature of Michael R. Hansen in black ink.

Michael R. Hansen, Director
Department of Budget & Fiscal Services

Handwritten signature of Noel T. Ono in black ink.

Noel T. Ono, Director
Department of Human Resources



1200 Ala Kapuna Street λ Honolulu, Hawaii 96819
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Roger K. Takabayashi
President

Wil Okabe
Vice President

Karolyn Mossman
Secretary-Treasurer

Mike McCartney
Executive Director

**TESTIMONY BEFORE THE SENATE COMMITTEE ON
JUDICIARY AND LABOR**

**RE: HB 1041, HD2 – RELATING TO THE HAWAII EMPLOYER-UNION
HEALTH BENEFITS TRUST FUND.**

March 21, 2011

**WIL OKABE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION**

Chair Hee and Members of the Committee:

The Hawaii State Teachers Association opposes HB 1041, HD2, which overturns current law that requires the State and the counties to reimburse retired employees for Medicare part B premiums through the employer-union trust fund. If enacted, HB 1041, HD2, would negatively impact recruitment of highly qualified teachers.

State and other public employees are required to enroll in Medicare part B upon reaching the age of 65. The premiums for Medicare part B are currently reimbursed through their respective employer-union trust funds. New employees hired after June 30, 2011, would lose reimbursement of Medicare part B premiums. If enacted, the consequence of this would be a shortage of qualified employees in many areas, including our public schools, which are already experiencing a shortage of teachers.

We urge the committee not to pass this bill.

Thank you for the opportunity to testify.



Senate Committee on Judiciary and Labor
March 21, 2011
8:30 am

HB 1041, HD 2, Relating to the Hawaii Employer-Union Health Benefits Trust Fund.

Dear Chairperson Hee and Committee Members:

On behalf of the University of Hawaii Professional Assembly (UHPA), our union is concerned about proposed legislation that addresses revenue shortages through piecemeal measures that may have many unintended consequences. The current proposal eliminates Medicare Part B premium reimbursement for future hires upon retirement as well as to a specified group of current employees. This approach raises important public policy issues regarding future benefits that accrue over the work life of an employee. UHPA notes that the Hawaii Attorney General has raised important constitutional questions regarding this proposal. UHPA shares those concerns.

UHPA actively supports legislation to reform EUTF and is open to further discussion on the best methods to resolve the substantive problems with the current system. UHPA encourages the Committee to support a study group that can fully assess and debate what changes are needed to ensure that appropriate health benefits are provided to public employees. Issues raised in proposed legislation such as HB 1041, HD 2 can be evaluated and judged on their viability as part of a whole effort.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Kristeen Hanselman'.

Kristeen Hanselman
Associate Executive Director

UNIVERSITY OF HAWAII
PROFESSIONAL ASSEMBLY

1017 Palm Drive • Honolulu, Hawaii 96814-1928
Telephone: (808) 593-2157 • Facsimile: (808) 593-2160
Web Page: <http://www.uhpa.org>

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 18, 2011 10:42 AM
To: JDLTestimony
Cc: carold2654@hawaiiantel.net
Subject: Testimony for HB1041 on 3/21/2011 8:30:00 AM

Testimony for JDL 3/21/2011 8:30:00 AM HB1041

Conference room: 016
Testifier position: support
Testifier will be present: No
Submitted by: Carol Ann Denis
Organization: Individual
Address:
Phone:
E-mail: carold2654@hawaiiantel.net
Submitted on: 3/18/2011

Comments:

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 18, 2011 10:42 AM
To: JDLTestimony
Cc: hakamine@hawaii.rr.com
Subject: Testimony for HB1041 on 3/21/2011 8:30:00 AM

Testimony for JDL 3/21/2011 8:30:00 AM HB1041

Conference room: 016
Testifier position: support
Testifier will be present: No
Submitted by: Harry Akamine
Organization: Individual
Address:
Phone:
E-mail: hakamine@hawaii.rr.com
Submitted on: 3/18/2011

Comments:

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 18, 2011 10:07 AM
To: JDLTestimony
Cc: GKahoochano@gmail.com
Subject: Testimony for HB1041 on 3/21/2011 8:30:00 AM

Testimony for JDL 3/21/2011 8:30:00 AM HB1041

Conference room: 016
Testifier position: oppose
Testifier will be present: No
Submitted by: George Kahoochano
Organization: Individual
Address:
Phone:
E-mail: GKahoochano@gmail.com
Submitted on: 3/18/2011

Comments:

This to me will hinder the hiring of personel who are qualified to work, but because of the low pay for the State and County workers without the additional retirement insentives the County and the State will not be able to recruit the best and the brightest.

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 18, 2011 2:37 AM
To: JDLTestimony
Cc: swartzg001@hawaii.rr.com
Subject: Testimony for HB1041 on 3/21/2011 8:30:00 AM

Testimony for JDL 3/21/2011 8:30:00 AM HB1041

Conference room: 016
Testifier position: comments only
Testifier will be present: No
Submitted by: gregory swartz
Organization: Individual
Address:
Phone:
E-mail: swartzg001@hawaii.rr.com
Submitted on: 3/18/2011

Comments:

As a currently retired employee on Medicare, I do not have standing to object to this bill which currently only applies to new employees. Application to current retirees and others to the extent of their accrued benefits would be unconstitutional. However, as a retired employee on Medicare, I wish to emphasize the importance of maintaining parity between retired employees on Medicare and retired employees who are not yet Medicare eligible. The impact of the Medicare Part B premiums without reimbursement can be significant.

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 18, 2011 12:24 PM
To: JDLTestimony
Cc: yoshitomt001@hawaii.rr.com
Subject: Testimony for HB1041 on 3/21/2011 8:30:00 AM

Testimony for JDL 3/21/2011 8:30:00 AM HB1041

Conference room: 016
Testifier position: support
Testifier will be present: No
Submitted by: Kathleen Yoshitomi
Organization: Individual
Address:
Phone:
E-mail: yoshitomt001@hawaii.rr.com
Submitted on: 3/18/2011

Comments:
Support HB1041HD2.

TO CLAYTON HEE, CHAIR, JUDICIARY AND LABOR COMMITTEE
MAILE SHIMABUKURO, VICE CHAIR
COMMITTEE MEMEBERS MIKE GABBARD, LES IHARA, SAM SLON

Subject HB 1041, HD2 Relating to Medicare reimbursement.

I support the intent of this bill in the effort to cut Government spending as you have made the adjustment to take affect on new hires after June 30, 2011. This allows all new employees the ability to make budgetary provisions during ones most productive years.

Thank you for this opportunity to testify.

John Lum

45-545 Keole Street
Kaneohe, Hi
96744
Email johnrlum@hawaii.rr.com

Senator Clayton Hee, Chair
Senator Maile Shimabukuro, Vice Chair
Judiciary and Labor

Charles T. Duncan
Honolulu Police Department, Major (retired)
94-439 Alapoi Street, Mililani Town 96789
Phone: 393-4764

March 21, 2011

In Support HB1041 HD2 Relating to the Hawaii Employer-Union Health Benefits Trust Fund

I'm a retired Honolulu Police Department Major who after 32 years of putting my life on the line every day earned the pension benefits that I presently receive. I am testifying in support of HB1041 HD2 as it relates to the Hawaii Employer-Union Benefits Trust Fund, as it pertains to the elimination of Medicare Part B Reimbursements for employees hired after June 30, 2011

The reason for testifying in support of this bill is for the following reasons;

- It corrects an attempt to take away money being reimbursed to me for my Medical Plan, which I've had to pre-paid for out of my Social Security. This is money that is being returned to me and all retirees who are required to enroll in Medicare Part B, as a result of the EUTF no longer paying 80 percent of my medical plan coverage. **IT IS NOT A BONUS.**
- HB1041 HD2 in its present form will ensure that current retirees and employees in the system prior to June 30, 2011 will continue to receive a fully paid Medical Plan which is part of a contractual agreement between the State of Hawaii and each retiree as it pertains to the Hawaii Constitution (Article XVI, Section 2) which states that accrued benefits of retirees in the state retirement system shall not be diminished or impaired.

I humbly ask that you to pass HB 1041 HD 2 in your committee as a means of showing all State and City and County of Honolulu Retiree's 65 and older that in Hawaii we care about our seniors

Respectfully Submitted

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 19, 2011 2:01 PM
To: JDLEstimony
Cc: arakakie003@hawaii.rr.com
Subject: Testimony for HB1041 on 3/21/2011 8:30:00 AM

Testimony for JDL 3/21/2011 8:30:00 AM HB1041

Conference room: 016
Testifier position: support
Testifier will be present: Yes
Submitted by: Earl Arakaki
Organization: Individual
Address:
Phone:
E-mail: arakakie003@hawaii.rr.com
Submitted on: 3/19/2011

Comments:

 House Bill 1041 HD2
Senate Judiciary and Labor Committee
March 21, 2011, Monday
Testimony In Support
By
Earl Arakaki, Retired, Honolulu Police Department

Senator Hee, and members of the Senate Judiciary and Labor Committee.

I support House Bill 1041 HD2 in its present form which will only applies to future hires and not todays active employees and retirees.

Please do not change the present language in HB1041 HD2.

Mahalo,

/s/Earl Arakaki

PAUL J. SCHWIND
2033 Nuuanu Avenue, Apt. 22-B
Honolulu, Hawaii 96817
schwang1@hawaii.rr.com

March 21, 2011

The Honorable Clayton Hee, Chair, and Members
Senate Committee on Judiciary and Labor
Hawaii State Capitol
415 South Beretania Street, Room 407
Honolulu, Hawaii 96813

BY E-MAIL: senhee@capitol.hawaii.gov

Dear Chair Hee and Members:

Re: H.B. No. 1041 H.D. 2 Relating to Hawaii Employer-Union Health Benefits Trust Fund

I am a retired employee of the State of Hawaii (and also a retired attorney formerly in private practice). I receive benefits both from Medicare and the health benefits plan supplemental to Medicare under HRS § 87A-23. I am testifying in **opposition** to House Bill No. 1041 H.D. 2 Relating to the Hawaii Employer-Union Health Benefits Trust Fund.

As currently drafted, HB 1041 H.D. 2 would add a new subsection to HRS § 87A-23, eliminating Medicare Part B reimbursements for employee-beneficiaries (and their spouses) hired after June 30, 2011. This measure, if enacted, would impose a greater burden on future retired State and County employees than that borne by current retirees, by reducing their pre-tax income by as much as **\$3,000 per year** or more.

While balancing the State budget is a valid objective in these difficult economic times, doing so disproportionately on the backs of future retired public employees is unjust and inequitable. Medicare Part B premiums are **not** paid for by Social Security, but rather are paid by Medicare beneficiaries directly or by deduction from their Social Security benefits. Reimbursement of those expenses for eligible public employees and retirees is part of a social contract that dates back more than 60 years.

Despite its prospective application, HB 1041 H.D. 2 may arguably be defective on constitutional grounds. The framers of the 1950 Hawaii Constitution provided that membership in an employees' retirement system is a contractual relationship, "the accrued benefits of which shall not be diminished or impaired" (this language was reinstated in the 1978 constitutional amendments). When federal Medicare was enacted in 1965, a supplemental State plan was enacted in 1966 (HRS § 87-27) as a cost-saving measure to avoid double payment of medical expenses for public employees and retirees eligible for Medicare Part A. The Hawaii Supreme Court has subsequently held that "health benefits for retired state and county employees constitute 'accrued benefits' [of employment that cannot be diminished or impaired] pursuant to article XVI, section 2 of the Hawai'i Constitution." *Everson v. State*, 122 Hawai'i 402, 419, 228 P.3d 282, 299 (2010).

If all of us are to "uncross our arms" and "help paddle the canoe", by far the fairest and most effective means to enhance State revenues is to enact an across-the-board increase in the General Excise Tax (GET). Accordingly, I respectfully recommend that your Committee **hold** HB 1041 H.D. 2.

Thank you for the opportunity to express my views on this matter.

From: Joel Fischer [jfischer@hawaii.edu]
Sent: Saturday, March 19, 2011 3:45 PM
To: JDLTestimony
Subject: HB1041; JDL; 3/21/11; 8:30AM, Rm016

Importance: High

HB1041, HD 1; Relating to Hawai'i Employer-Union Health
JDL; Chair, Sen Hee

PLEASE KILL THIS BILL, MAKE-DIE-DEAD!!

I have never seen any set of bills -including HB1041 and HB1092- that are more anti-worker and anti-elderly. How can a democratic Governor and Democrat-controlled legislature countenance this attack on your most important constituencies? Even Republican administrations would never submit these attacks on workers and the elderly. **HEWA!**

The Part B reimbursements are the result of retirees being **REQUIRED** to purchase Medicare Part B because doing so saves money for the state. How hypocritical it is now to stop reimbursing that required expense!

The budget problems in Hawai'i nei are not the fault of workers and retirees. But there is a clear line of blame for these problems: first, the hundreds of millions of dollars wasted on tax credits that do virtually nothing to create jobs, and, second, the tax changes introduced in faux-liberal Ben Cayetano's regime that absolutely robbed the state of hundreds of millions of tax dollars from the rich under the absolutely false assumptions of the trickle-down theory.

Until the Governor and Legislature really attack these inequities, I am unalterably opposed to the bills on today's agenda.

"Everybody" sharing the burden does NOT mean only the poor, elderly and state workers!!

Aloha, joel

Dr. Joel Fischer, ACSW
Professor (Ret.)
University of Hawai'i, School of Social Work
Henke Hall
Honolulu, HI 96822

"It is reasonable that everyone who asks justice should DO justice."
Thomas Jefferson

"There comes a time when one must take a position that is neither safe, nor politic, nor popular, but one must take it because one's conscience tells one that it is right."
Dr. Martin Luther King, Jr.

"Never, never, never quit."
Winston Churchill



46-063 Emepela Pl. #U101 Kaneohe, HI 96744 · (808) 679-7454 · Kris Coffield · Co-founder/Legislative Director

**TESTIMONY ON HOUSE BILL 1041, HOUSE DRAFT 2, RELATING TO THE HAWAII EMPLOYER-UNION
HEALTH BENEFITS TRUST FUND**

**Senate Committee on Judiciary and Labor
Hon. Clayton Hee, Chair
Hon. Maile S.L. Shimabukuro, Vice Chair**

**Monday, March 21, 2011, 8:30 AM
State Capitol, Conference Room 016**

Honorable Chair Hee and committee members:

I am Kris Coffield, representing the Imua Alliance, a nonpartisan political advocacy organization that currently boasts over 60 local members. On behalf of our members, we offer this testimony in support of HB 1041, HD1, relating to the Hawaii Employer-Union Health Benefits Trust Fund.

Currently, the state of Hawaii is experiencing a crisis in how to pay for underfunded future liabilities, including the Employer-Union Health Benefits Trust Fund (EUTF). Unlike the Employee Retirement System, EUTF has no money set aside in advance to subsidize its annual disbursement. At the same time, payments from the fund are expected to rise sharply over the next few years, from \$421 million in 2010, to \$479 million in 2011, \$487 million in 2012, and \$528 million in 2013. Medicare Part B reimbursements are a large percentage of allocated resources and projected increases, set to cost the state an estimated \$41.7 million in fiscal year 2012 and \$46.8 million in fiscal year 2013, according to Department of Budget and Finance Director Kalbert Young.

While the governor has previously called for the elimination of Medicare Part B reimbursements for all state employees, any cuts to reimbursements for today's workers would clearly violate Article XVI, Section 2 of the Hawaii State Constitution, which states, "Membership in any employees' retirement system of the State or any political subdivision thereof shall be a contractual relationship, the accrued benefits of which shall not be diminished or impaired." Since EUTF projections assume no variance in employee population and the ratio of payers to payees is dropping rapidly, and because the state is buckling under an anticipated \$964 million biennium budget shortfall, it is imperative that lawmakers restructure local entitlements to ensure their existence for future generations. Abolishing prospective reimbursements—which, as Gov. Abercrombie has indicated, are duplicated under social security—saves revenue and, thus, reduces the possibility of having to increase property, excise, or other taxes at a later date, when the road to recovery becomes a one-way street.

Last month, Imua Alliance conducted a poll of its members to determine their feelings with regard to the eradication of state-supported Medicare Part B payments for future employees. Though the group contains too few members to be considered a representative sample of greater demographics, its members are unique in their youth, averaging 29 years in age. Out of 47 respondents, 34, or 72 percent, indicated support or strong support for the measure, while only 3 respondents, or 6 percent, indicated strong opposition to the proposal. Results of the survey can be made available upon request, but what is clear is that our members, many of whom are preparing for careers in public service, understand that the extension of benefits, as well as the job market, is dependent upon fiscal strength, and would rather sacrifice unnecessary benefits than suffer service shutdowns, furloughs, fee increases, or unemployment.

Imua Alliance also urges the committee to consider additional ideas for revenue generation should they arise, such as limiting general excise tax exemptions and taxing pension plans. And again, we do not condone slashing accrued benefits for existing employees or retirees, which we would consider a breach of contractual obligations, unconstitutional, and overly austere. We do, on the other hand, fully support the fiscally prudent steps outlined in HB 1041, HD1 that will save our state millions of dollars that have yet to be earned.

Mahalo for the opportunity to testify in support of this bill.

Sincerely,
Kris Coffield
Legislative Director
IMUAlliance