

DEPARTMENT OF HUMAN RESOURCES  
**CITY AND COUNTY OF HONOLULU**  
650 SOUTH KING STREET 10<sup>TH</sup> FLOOR • HONOLULU, HAWAII 96813  
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PETER B. CARLISLE  
MAYOR



NOEL T. ONG  
DIRECTOR

January 28, 2011

The Honorable Karl Rhoads, Chair  
and Members of the Committee on Labor and  
Public Employment  
The House of Representatives  
State Capitol  
Honolulu, Hawaii 96813

Dear Chair Rhoads and Members:

Subject: House Bill No. 175  
Relating to Employer-Union Health Benefits Trust  
Fund

The Departments of Budget and Fiscal Services and Human Resources support House Bill 175, which proposes amendments to Section 87A-5, Hawaii Revised Statutes, to provide for county representation on the Employer-Union Health Benefits Trust Fund (EUTF) board of trustees.

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 long 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.

The level of funding provided by the counties is significant, as county employees are an important part of EUTF membership. In one extreme example, the counties have been sued for decisions made by the EUTF board, without the knowledge or

The Honorable Karl Rhodes, Chair  
and Members of the Committee on Labor and  
Public Employment  
The House of Representatives  
Page 2  
January 28, 2011

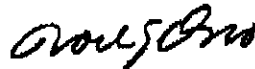
consent of the counties. In June 2006, the counties, along with the state, EUTF, and its trustees, were named as defendants in a lawsuit filed by several state retirees in federal court. In the case, Everson, et al. v. Stat of Hawaii, et al. Civil No. 06-1-1141-06, the plaintiffs alleged that they were 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 board 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 will hold their employers accountable.

We believe that the counties should be able to vote on policies and costs we have to bear, and that we should have input on the decisions that affect our employees and retirees.

Thank you for the opportunity to testify.

Yours truly,



Noel T. Ono, Director  
Department of Human Resources



Michael R. Hansen, Acting Director  
Department of Budget and Fiscal Services

Hawai'i State Association of Counties (HSAC)  
Counties of Kaua'i, Maui, and Hawai'i, and City & County of Honolulu

TESTIMONY OF DEREK S. K. KAWAKAMI  
PRESIDENT, HAWAII STATE ASSOCIATION OF COUNTIES

HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT  
January 28, 2011 AT 9:00 A.M.  
CONFERENCE ROOM 309, STATE CAPITOL

- House Bill No. 175, Relating to the Employer-Union Health Benefits Trust Fund (EUTF);

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 H.B. 175, which proposes to amend Section 87A-5 of the Hawai'i Revised Statutes to provide for county representation on the Hawai'i Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees, and which measure is included in the 2011 Hawai'i State Association of Counties Legislative Package.

This proposal consists of five trustees to represent public employers, four of whom shall be appointed by the Governor, and one to be appointed by the mayors of the Counties and approved by HSAC. By adding a trustee to the board of trustees of the EUTF to represent the interests of the Counties, members may be better informed of decisions made and changes to the programs that have a direct impact on county interests.

Thank you for this opportunity to submit this testimony.

Mahalo nui loa,

*Derek S.K. Kawakami*

Derek S.K. Kawakami (LP)  
HSAC President

LP

Council Chair  
Danny A. Mateo

Vice-Chair  
Joseph Pontanilla

Council Members  
Gladys C. Baisa  
Robert Carroll  
Elle Cochran  
Donald G. Couch, Jr.  
G. Riki Hokama  
Michael P. Victorino  
Mike White



Director of Council Services  
Ken Fukuoka

**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
[www.mauicounty.gov/council](http://www.mauicounty.gov/council)

January 27, 2011

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

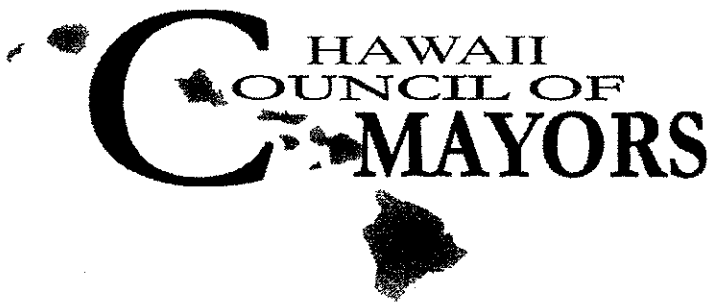
FROM: Joseph Pontanilla, Treasurer *Joseph Pontanilla*  
Hawaii State Association of Counties

SUBJECT: **HEARING OF JANUARY 28, 2011; TESTIMONY IN SUPPORT OF HB 175,  
RELATING TO THE EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**

Thank you for the opportunity to testify in support of this important measure. The purpose of this measure is to require one of the members of the Employer-Union Health Benefits Trust Fund Board of Trustees to be appointed by agreement of the mayors of the four counties and approved by the Hawaii State Association of Counties.

I am aware that the President of the Hawaii State Association of Counties (HSAC) has submitted testimony, on behalf of HSAC, in support of this measure, which is in the HSAC Legislative Package. As the Treasurer of HSAC, I concur with the testimony submitted by the President, and urge you to support this measure.

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Testimony of the

**Hawaii Council of Mayors**

Bernard Carvalho, Jr., Mayor of Kauai County  
Peter Carlisle, Mayor of the City and County of Honolulu  
Billy Kenoi, Mayor of Hawaii County  
Alan Arakawa, Mayor of Maui County

Before a Hearing of the  
**House Committee on Labor and Public Employment**  
January 28, 2011  
Conference Room 309

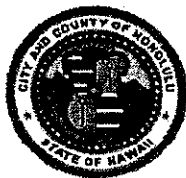
**House Bill 175, Relating to the Employer-Union Health Benefits Trust Fund**

On behalf of the Hawaii Council of Mayors (HCOM), I would like to offer our support House Bill 175, which amends Section 87A-5 of the Hawaii Revised Statutes to provide for county representation on the Employer-Union Health Benefits Trust Fund (EUTF) board of trustees.

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.



Mayor Billy Kenoi  
County of Hawaii  
25 Aupuni Street  
Hilo, Hawai'i 96720



Mayor Peter Carlisle  
City and County of Honolulu  
530 South King Street  
Honolulu, Hawai'i 96813



Mayor Bernard Carvalho, Jr.  
County of Kauai  
4444 Rice Street  
Lihue, Hawai'i 96766



Mayor Alan Arakawa  
County of Maui  
200 South High Street, 9<sup>th</sup> Floor  
Wailuku, Hawaii 96793

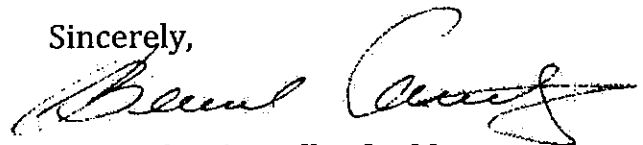
The current statute sets aside five seats on the board for public employers. However, the appointments for these seats are at the discretion of the governor, and counties have not been represented on the board for a number of years. Left without a voice, the counties' role is limited to funding EUTF board decisions.

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 well as the hikes anticipated in the coming months. The counties are being apprised of these unprecedented increases without having any formal role in the process.

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 will 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Bernard Carvalho, Jr.", with a long, sweeping flourish extending to the right.

Bernard P. Carvalho, Jr., Mayor  
County of Kauai

LATE

TESTIMONY BY KALBERT K. YOUNG  
INTERIM DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
ON  
HOUSE BILL NO. 175

January 28, 2011

RELATING TO THE EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

House Bill No. 175 requires that one member of the Employer-Union Health Benefits Trust Fund Board of Trustees be appointed by agreement of the mayors of the four counties and approved by the Hawaii State Association of Counties.

The Department of Budget and Finance supports the general intent of this measure to have one county representative on the Board of Trustees.