

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2102

February 28, 2012

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST
FUND

House Bill No. 2102 eliminates Medicare Part B reimbursements for employee-beneficiaries and spouses of employee-beneficiaries hired after June 30, 2012.

The Department of Budget and Finance supports this measure because eliminating the reimbursement is one way of containing the ever-increasing cost of retiree health benefits paid by State and county employers; thus, reducing the burden on taxpayers. For the quarter ending June 30, 2011, there were 23,646 State retirees and 7,642 spouses receiving \$9,241,092 in Medicare Part B reimbursements. For the quarter ending March 31, 2012, it is projected that the amount of State retirees will increase to 23,975 and spouses will increase to 7,742. These projected increases in members and spouses will increase the Medicare Part B reimbursements to \$9,631,215 for the quarter.

This measure is also a step forward in addressing the State's \$14 billion dollar unfunded liability for Other-Post-Employment-Benefits (OPEB) and facilitating the sustainability of benefits for all members and retirees under the Hawaii Employer-Union Health Benefits Trust Fund.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Twenty-Sixth Legislature, State of Hawaii
House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association
February 28, 2012

H.B. 2012 – RELATING TO THE HAWAII
EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

The Hawaii Government Employees Association, ASFCME Local 152, AFL-CIO strongly opposes the purpose and intent of H.B. 2102 which would eliminate Medicare Part B reimbursements and allow the employers to lower retiree medical benefits for employee beneficiaries and spouses of employee-beneficiaries hired after June 30, 2012.

Medicare was established in 1965 by the federal government to provide health insurance for people 65 years of age or older. Medicare Part B was established to address medical insurance for home doctor's services, outpatient care, durable medical equipment, home health services and other medical services. Medicare Part B enrollees are charged a monthly premium which is updated by the Center for Medicare and Medicaid Services each year. To access the benefits provided by Medicare, in 1966 the Public Employee Health Fund (Health Fund), the predecessor to the Hawaii Employer Union Health Benefits Trust Fund (the EUTF), required that all Medicare eligible employee and dependent beneficiaries (retirees and their dependents, collectively Medicare retirees) enroll in Medicare Part B. This requirement resulted in significant cost savings to the State and Counties as Medicare Part B became the primary insurance provider and the Health Fund and subsequently the EUTF plans became the secondary insurance provider for Medicare retirees. Additionally, in fairness to the Medicare retirees as their benefits were not improved or enhanced with this new requirement, the State and Counties assumed responsibility for the Medicare Part B premiums through reimbursement to the Medicare retirees.

The cost savings provided by the coordination of benefits with Medicare continues today through the EUTF Medicare retiree medical plans. For example, the following is a comparison between the medical premiums effective January 1, 2012 for individual non-Medicare retirees versus individual Medicare retirees under the most prevalent plan, the HMSA 90/10 PPO plan:

	Non-Medicare Retiree	Medicare Retiree
Monthly Premium	\$381.36	\$178.00
Monthly Medicare Part B Premium	<u>None</u>	<u>99.90</u>
Total	<u>\$381.36</u>	<u>\$277.90</u>

The difference of \$103.46 per month per Medicare retiree displays the positive impact of requiring Medicare retirees to enroll in Medicare Part B. In addition, this analysis likely understates the positive impact because as retirees age they are more likely to have higher medical claims.

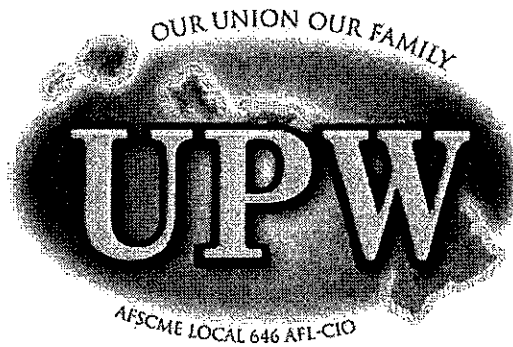
This continued reduction of the benefits of public employment will have significant negative impact to the community as the State and Counties will find it even more difficult to recruit and retain qualified, dedicated public employees. We strongly urge the committee to oppose this bill so detrimental to the future of our State.

Thank you for the opportunity to provide testimony in opposition of this measure.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Randy Perreira", written over a circular stamp or seal.

Randy Perreira
Executive Director



THE HAWAII STATE HOUSE OF REPRESENTATIVES
The Twenty-Sixth Legislature
Regular Session of 2012

COMMITTEE ON FINANCE

The Honorable Rep. Marcus R. Oshiro, Chair
The Honorable Rep. Marilyn B. Lee, Vice Chair

DATE OF HEARING: Tuesday, February 28, 2012
TIME OF HEARING: 10:00 a.m.
PLACE OF HEARING: Conference Room 308

**TESTIMONY ON HB 2102 RELATING TO THE HAWAII EMPLOYER-UNION
HEALTH BENEFITS TRUST FUND**

By DAYTON M. NAKANELUA,
State Director of the United Public Workers,
AFSCME Local 646, AFL-CIO ("UPW")

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 is the exclusive representative for approximately 11,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents about 1,500 members of the private sector.

The UPW strongly opposes HB 2102, which eliminates Medicare Part B reimbursements for employee-beneficiaries and spouses of employee-beneficiaries hired after June 30, 2012.

While the bill only affects new employees in the future, the elimination of Medicare Part B reimbursements is part of an ongoing trend, which is steadily reducing benefits for State and county workers. The ongoing reduction of benefits will ultimately have an impact on the State and counties and their ability to attract and retain qualified and hard working employees.

Thank you for opportunity to testify on this measure.



HAWAII FIRE FIGHTERS ASSOCIATION

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS LOCAL 1463, AFL-CIO
2305 S. BERETANIA ST., RM. 202, HONOLULU, HAWAII 96826-1493
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House of Representatives
The Twenty-Sixth Legislature
Regular Session of 2012
Committee on Finance
February 28, 2012

Testimony by
Hawaii Fire Fighters Association

H.B. No. 2102 Relating to the Hawaii Employer-Union Health Benefits Trust Fund

My name is Robert H. Lee and I am the President of the Hawaii Fire Fighters Association, Local 1463, IAFF, AFL-CIO. HFFA represents the 2,800 active and retired professional fire fighters throughout the State. HFFA opposes H.B. No. 2102, which eliminates the Medicare Part B reimbursements for employee-beneficiaries and spouses hired after July 30, 2012.

HFFA supports the maintenance of the medicare reimbursement as part of the retirement benefit package for all public employees and their spouses. Last year, H.B. No. 1038, H.D. 2, S.D. 2 (Act 163) changed the eligibility requirements and benefits for public employees who begin service after June 30, 2012. This bill would compound the negative effects of H.B. 1038, H.D. 2, S.D. 2, by mandating the cost of Medicare premiums to be borne by the retiree.

HFFA respectfully urges the Committee to hold H.B. No. 2102. Thank you for the opportunity to testify on H.B. No. 2102.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 27, 2012 7:50 PM
To: FINTestimony
Cc: Brenda.Kosky@gmail.com
Subject: Testimony for HB2102 on 2/28/2012 10:00:00 AM

Testimony for FIN 2/28/2012 10:00:00 AM HB2102

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Brenda Kosky
Organization: Individual
E-mail: Brenda.Kosky@gmail.com
Submitted on: 2/27/2012

Comments:

I am a widow of a State employee from public safety.

DEPARTMENT OF BUDGET & FISCAL SERVICES
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PETER B. CARLISLE
MAYOR



MICHAEL R. HANSEN
DIRECTOR

February 28, 2012

The Honorable Marcus R. Oshiro, Chair
and Members of the Committee on Finance
The House of Representatives
State Capitol
Honolulu, Hawaii 96813

Dear Chair Oshiro and Members:

Subject: House Bill 2102
Relating to the Hawaii Employer-Union Health Benefits Trust Fund

The City and County of Honolulu supports House Bill 2102 which will eliminate the Medicare Part B reimbursement for employees hired after June 30, 2012 and their spouses.

In the past fiscal year the City's cost for the Medicare Part B reimbursement was \$6.5 million. Although we know the savings from this bill will not be realized for many years, we believe it is important to take this action now to reduce future costs.

We realize this is a difficult issue that may touch many lives, but we also know that benefit costs overall have become unsustainable and tough decisions have to be made today so that even more drastic measures are not needed in the future.

Thank you for the opportunity to testify on House Bill 2102.

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