

**TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAY AND MEANS  
HOUSE BILL NO. 2492, H.D. 1**

**March 28, 2012**

**RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**

House Bill No. 2492, House Draft 1, changes the date that the base monthly contribution is annually adjusted from July 1 of each year to January 1 of each year.

The Department of Budget and Finance strongly supports this Administration bill which will align the Employer Union Health Benefit Trust Fund (EUTF) retiree plan year and Base Monthly Contribution (BMC) adjustment date with the federal Medicare part B adjustment date. The alignment of the dates will ensure that there will only be one rate change on January 1 of each year. This proposed change will be administratively more efficient and less costly from the standpoint of EUTF to implement, but more importantly, this change will be less confusing and daunting for retirees who currently must deal with two annual rate adjustments due to the misalignment of the dates.

The Administration believes that this measure is necessary for the administrative simplification, cost, and efficiency aspects in regards to the EUTF and because state and county retirees will also benefit because they will need to only cope with one annual rate adjustment.

TESTIMONY BY BARBARA CORIELL  
ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST  
FUND, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
HOUSE BILL NO. 2492, H.D. 1

March 28, 2012, 9:35 a.m.

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST  
FUND

Chairperson Ige and Members of the Committee:

As the Administrator of the Hawaii Employer-Union Health Benefits Trust Fund I am testifying in support of House Bill 2492, H.D. 1, which was recommended by the Board of the EUTF.

House Bill 2492, H.D. 1, changes the date of the change in the Base Monthly Contribution (employer) for retiree health care plans so that the plans' rates and the employer's contribution will both change on January 1.

Employers' contributions to retiree healthcare plans of 50%, 75% or 100% are not a percentage of the actual plan rates. Rather, employer contributions are calculated as a percentage of a figure referred to as the Base Monthly Contribution or BMC. The BMC amounts change annually in accordance with the percentage change in the Medicare B premium which is determined by Medicare. This legislation addresses the date of the BMC calculation.

At this time the BMC amounts are determined on July 1 based on the Medicare premium change from the preceding October. However, the retiree plan rates change January 1. This causes two annual rate changes for those

retirees who contribute toward the cost of their coverage; one, January 1<sup>st</sup> with the change in the plan rates and secondly, July 1<sup>st</sup> when the employer's contribution toward those rates is recalculated. Moving the Base Monthly Contribution change date to January 1 based on the preceding year's Medicare rate change will result in a single rate change per year for retirees. This will assist the retirees and simplify procedures for the EUTF.

Thank you for the opportunity to testify on this matter.