



EXECUTIVE CHAMBERS
HONOLULU

NEIL ABERCROMBIE
GOVERNOR

GOV. MSG. NO. 1388

July 8, 2013

The Honorable Donna Mercado Kim,
President and Members
of the Senate
Twenty-Seventh State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,
Speaker and Members of
the House of Representatives
Twenty-Seventh State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:


Re: Senate Bill No. 867, S.D. 2, H.D. 1, C.D. 1

Senate Bill No. 867, S.D. 2, H.D. 1, C.D. 1, entitled "A BILL FOR AN ACT RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND" will become law without my signature, pursuant to Section 16 of Article III of the State Constitution.

The purpose of this bill is to increase the cap on base monthly contributions for health benefit plans for retired employees under the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) by five percent, beginning January 1, 2014.

Health care costs continue to rise, and this bill is a response to those increases. However, increasing the base monthly contribution rate will increase the unfunded liability of the EUTF and the total liability calculation. This bill will result in increased costs for employers who will have to contribute more for retirees. I encourage the Legislature to work with state departments to continue to explore long-term solutions to addressing the State's unfunded liabilities.

For the foregoing reasons, Senate Bill No. 867, S.D. 2, H.D. 1, C.D. 1 will become law as Act 282, Session Laws of Hawaii 2013, effective July 9, 2013, without my signature.

Aloha
Sincerely,


NEIL ABERCROMBIE
Governor, State of Hawaii

A BILL FOR AN ACT

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

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 87A-33, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§87A-33 State and county contributions; retired
4 employees. (a) Notwithstanding any law to the contrary, this
5 section shall apply to state and county contributions to the
6 fund for:

7 (1) The dependent-beneficiary of an employee who is killed
8 in the performance of duty;

9 (2) A dependent-beneficiary, upon the death of the
10 employee-beneficiary, except as provided in section
11 87A-36;

12 (3) An employee-beneficiary who retired after June 30,
13 1984, due to a disability falling within sections
14 88-79 and 88-285;

15 (4) An employee-beneficiary who retired before July 1,
16 1984;

17 (5) An employee-beneficiary who:



- 1 (A) Was hired before July 1, 1996;
- 2 (B) Retired after June 30, 1984; and
- 3 (C) Who has ten years or more of credited service,
- 4 excluding sick leave;
- 5 (6) An employee-beneficiary who:
 - 6 (A) Was hired after June 30, 1996; and
 - 7 (B) Retired with twenty-five or more years of
 - 8 credited service, excluding sick leave, except as
 - 9 provided in section 87A-36; and
- 10 (7) Employees who retired prior to 1961 and their
- 11 dependent-beneficiaries.

12 ~~[(b) Effective July 1, 2003, there is established a base~~
13 ~~monthly contribution for health benefit plans that the State,~~
14 ~~through the department of budget and finance, and the counties,~~
15 ~~through their respective departments of finance, shall pay to~~
16 ~~the fund, up to the following:~~

- 17 ~~(1) \$218 for each employee beneficiary enrolled in~~
18 ~~supplemental medicare self plans;~~
- 19 ~~(2) \$671 for each employee beneficiary enrolled in~~
20 ~~supplemental medicare family plans;~~
- 21 ~~(3) \$342 for each employee beneficiary enrolled in non-~~
22 ~~medicare self plans; and~~



1 ~~(4) \$928 for each employee beneficiary enrolled in non-~~
2 ~~medicare family plans.~~

3 ~~The monthly contribution by the State or county shall not~~
4 ~~exceed the actual cost of the health benefits plan or plans. If~~
5 ~~both husband and wife are employee beneficiaries, the total~~
6 ~~contribution by the State or county shall not exceed the monthly~~
7 ~~contribution for a supplemental medicare family or non-medicare~~
8 ~~family plan, as appropriate.~~

9 ~~(e)]~~ (b) Effective [July] January 1, [2004,] 2014, there
10 is established a base monthly contribution for health benefit
11 plans that the State, through the department of budget and
12 finance, and the counties, through their respective departments
13 of finance, shall pay to the fund, up to the following:

- 14 (1) [~~\$254~~] \$524.73 for each employee-beneficiary enrolled
15 in supplemental medicare self plans;
- 16 (2) [~~\$787~~] \$1,051.70 for each employee-beneficiary
17 enrolled in supplemental medicare [~~family~~] two-party
18 plans;
- 19 (3) [~~\$412~~] \$1,531.78 for each employee-beneficiary
20 enrolled in [~~non-medicare self~~] supplemental medicare
21 family plans; [~~and~~]



- 1 (4) [~~\$1,089~~] \$736.60 for each employee-beneficiary
2 enrolled in non-medicare [~~family~~] self plans[-];
- 3 (5) \$1,484.72 for each employee-beneficiary enrolled in
4 non-medicare two-party plans; and
- 5 (6) \$2,173.06 for each employee-beneficiary enrolled in
6 non-medicare family plans.

7 The monthly contribution by the State or county shall not
8 exceed the actual cost of the health benefit plan or plans and
9 shall not be required to cover increased benefits above those
10 initially contracted for by the fund for plan year 2004-2005.
11 If both husband and wife are employee-beneficiaries, the total
12 contribution by the State or county shall not exceed the monthly
13 contribution for a supplemental medicare family or non-medicare
14 family plan, as appropriate.

15 ~~[(d) The base composite monthly contribution shall be~~
16 ~~adjusted annually, beginning July 1, 2005. The adjusted base~~
17 ~~composite monthly contribution for each new plan year (July 1~~
18 ~~until June 30) shall be calculated by increasing or decreasing~~
19 ~~the base composite monthly contribution in effect through the~~
20 ~~end of the previous plan year by the percentage increase or~~
21 ~~decrease in the medicare part B premium rate for those years,~~
22 ~~which percentage shall be calculated by dividing the medicare~~



1 ~~part B premium rate in effect at the beginning of the new plan~~
2 ~~year by the rate in effect at the beginning of the previous plan~~
3 ~~year.~~

4 ~~For the plan year beginning July 1, 2005, the adjusted base~~
5 ~~monthly contribution shall be computed using the actual~~
6 ~~contracted premium rate as of July 1, 2004, for medicare and~~
7 ~~non-medicare, self and family health benefits plans with the~~
8 ~~highest actual contracted premium rate as of July 1, 2004.~~

9 ~~As used in this subsection, "medicare part B premium rate"~~
10 ~~means the rate published in the Federal Register each year on~~
11 ~~November 1 or on the business day closest to November 1 of each~~
12 ~~year after the medicare part B premium rate has been established~~
13 ~~by the Secretary of Health and Human Services and approved by~~
14 ~~the United States Congress.~~

15 ~~(e)]~~ (c) The base composite monthly contribution shall be
16 adjusted annually, beginning January 1, ~~[2013.]~~ 2015. The
17 adjusted base composite monthly contribution for each new plan
18 year (January 1 until December 31) shall be calculated by
19 increasing or decreasing the base composite monthly contribution
20 in effect through the end of the previous plan year by the
21 percentage increase or decrease in the medicare part B premium
22 rate for those years, which percentage shall be calculated by



1 dividing the medicare part B premium rate in effect at the
2 beginning of the new plan year by the rate in effect at the
3 beginning of the previous plan year.

4 ~~[For the plan year beginning January 1, 2013, the adjusted~~
5 ~~base monthly contribution shall be computed using the base~~
6 ~~composite monthly contribution as of July 1, 2012.]~~

7 As used in this subsection, "medicare part B premium rate"
8 means the rate published in the Federal Register each year on
9 November 1 or on the business day closest to November 1 of each
10 year after the medicare part B premium rate has been established
11 by the United States Secretary of Health and Human Services and
12 approved by the United States Congress.

13 ~~(f)~~ (d) If the board adopts a rate structure that
14 provides for other than self and family rates for the health
15 benefit plans, the base monthly contribution for the rate
16 structure adopted by the board shall be adjusted to provide the
17 equivalent underwriting cost as the base monthly contribution
18 that is provided for in this section."

19 SECTION 2. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.

21 SECTION 3. This Act shall take effect on January 1, 2014.

S.B. NO. 867
S.D. 2
H.D. 1
C.D. 1

APPROVED this day of , 2013

GOVERNOR OF THE STATE OF HAWAII