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## 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. The purpose of this Act is to address the  
2 unfunded actuarial accrued liability of the Hawaii employer-  
3 union health benefits trust fund.

4           More specifically, for an employee who is hired by the  
5 State or a county after June 30, 2013, and who subsequently  
6 retires with at least ten years of credited service, this Act  
7 provides that:

8           (1) If the employee retires before reaching the medicare-  
9 eligible age, the employee shall be allowed to enroll  
10 in a non-medicare self plan, and the State or county  
11 shall contribute to the cost of the plan. Upon  
12 reaching the medicare-eligible age, the employee shall  
13 no longer be eligible for the non-medicare self plan  
14 and shall enroll in the medicare part B medical  
15 insurance plan and be eligible for premium  
16 reimbursements from the State or county; or



1 (2) If the employee retires upon or after reaching the  
2 medicare-eligible age, the employee shall enroll in  
3 the medicare part B medical insurance plan, be  
4 entitled to premium reimbursements from the State or  
5 county, and shall not be eligible to enroll in any  
6 health benefits plan of the trust fund.

7 This Act also provides that the spouse of a retired  
8 employee who was first hired after June 30, 2013, shall not be  
9 eligible for any state or county contribution for the medicare  
10 part B premium.

11 SECTION 2. Chapter 87A, Hawaii Revised Statutes, is  
12 amended by adding a new section to be appropriately designated  
13 and to read as follows:

14 "§87A- State and county contributions; employees hired  
15 after June 30, 2013, and retired. (a) For the purpose of this  
16 section:

17 "Credited service" means the same as defined under section  
18 88-21.

19 "Medicare-eligible age" means the minimum age at which a  
20 person may enroll in the medicare part B medical insurance plan.

21 (b) This section shall apply to state and county  
22 contributions to the fund for employees hired after June 30,



1 2013, who subsequently retire with at least ten years of  
2 credited service. Years of credited service for an employee  
3 hired after June 30, 2013, shall be computed in the same manner  
4 as under chapter 88.

5 (c) If an employee to whom this section applies retires  
6 before reaching the medicare-eligible age, the retired employee  
7 shall be allowed to enroll only in a non-medicare self plan of  
8 the fund until reaching the medicare-eligible age.

9 While the retired employee is enrolled in the non-medicare  
10 self plan, the State or county, as applicable, shall pay to the  
11 fund for the retired employee's self plan a monthly contribution  
12 equal to the least costly of the following:

13 (1) One-half of the base non-medicare monthly contribution  
14 for the self plan calculated in accordance with  
15 section 87A-33;

16 (2) One-half of the actual monthly cost of the self plan;  
17 or

18 (3) The amount equaling the medicare part B premium  
19 contribution or reimbursement under section 87A-23(2).

20 Upon reaching the medicare-eligible age, the retired  
21 employee shall no longer be eligible to enroll in any health



1 benefits plan of the fund and shall enroll in the medicare part  
2 B medical insurance plan as required under section 87A-23(4).

3 (d) If an employee to whom this section applies retires  
4 upon or after reaching the medicare-eligible age, the retired  
5 employee upon retirement shall enroll in the medicare part B  
6 medical insurance plan as required under section 87A-23(4).

7 The retired employee shall not be eligible to enroll in any  
8 health benefits plan of the fund.

9 (e) When a retired employee subject to subsection (c) or  
10 (d) enrolls in the medicare part B medical insurance plan, the  
11 State or county, as applicable, shall make the medicare part B  
12 premium contribution for or provide any necessary reimbursement  
13 to the retired employee as required under section 87A-23(2).

14 (f) Neither the State nor a county shall make a  
15 contribution to the fund for a retired employee to whom this  
16 section applies who:

- 17 (1) Has less than ten years of credited service; or  
18 (2) Has at least ten years of credited service, but does  
19 not enroll in a non-medicare self plan or the medicare  
20 part B medical insurance plan, as required under this  
21 section."



1 SECTION 3. Section 87A-21, Hawaii Revised Statutes, is  
2 amended by amending subsections (b) and (c) to read as follows:

3 "(b) A retired member of the employees' retirement system;  
4 a county pension system; or a police, firefighters, and bandsmen  
5 pension system of the State or county, shall be eligible to  
6 qualify as an employee-beneficiary:

7 (1) Regardless of whether the retired member was actively  
8 employed by the State or county at the time of the  
9 retired employee's retirement; and

10 (2) Without regard to the date of the retired member's  
11 retirement[-], except as otherwise provided under this  
12 chapter.

13 (c) A dependent of a retired member shall be eligible to  
14 qualify as an employee-beneficiary or dependent-beneficiary:

15 (1) Regardless of whether the retired member was actively  
16 employed by the State or county at the time of the  
17 retired employee's retirement; and

18 (2) Without regard to the date of the retired member's  
19 retirement[-], except as otherwise provided under this  
20 chapter."

21 SECTION 4. Section 87A-23, Hawaii Revised Statutes, is  
22 amended to read as follows:



1           "§87A-23 Health benefits plan supplemental to medicare.

2 The board shall establish a health benefits plan, which takes  
3 into account benefits available to an employee-beneficiary and  
4 spouse under medicare, subject to the following conditions:

5           (1) There shall be no duplication of benefits payable  
6 under medicare. The plan under this section, which  
7 shall be secondary to medicare, when combined with  
8 medicare and any other plan to which the health  
9 benefits plan is subordinate under the National  
10 Association of Insurance Commissioners' coordination  
11 of benefit rules, shall provide benefits that  
12 approximate those provided to a similarly situated  
13 beneficiary not eligible for medicare;

14           (2) The State, through the department of budget and  
15 finance, and the counties, through their respective  
16 departments of finance, shall pay to the fund a  
17 contribution equal to an amount not less than the  
18 medicare part B premium, for each of the following who  
19 are enrolled in the medicare part B medical insurance  
20 plan:

21           (A) [~~an~~] An employee-beneficiary who is a retired  
22                           employee[~~r~~];



1 (B) [~~an~~] An employee-beneficiary's spouse while the  
2 employee-beneficiary is living[~~r~~]; and

3 (C) [~~an~~] An employee-beneficiary's spouse, after the  
4 death of the employee-beneficiary, if the spouse  
5 qualifies as an employee-beneficiary[~~r~~];

6 except that, notwithstanding subparagraphs (B) and  
7 (C), no contribution to the fund by the State or a  
8 county shall be paid for the spouse of an employee who  
9 first enters service after June 30, 2013.

10 For purposes of this section, a "retired employee"  
11 means retired members of the employees' retirement  
12 system; county pension system; or a police,  
13 firefighters, or bandsmen pension system of the State  
14 or a county as set forth in chapter 88. If the amount  
15 reimbursed by the fund under this section is less than  
16 the actual cost of the medicare part B medical  
17 insurance plan due to an increase in the medicare part  
18 B medical insurance plan rate, the fund shall  
19 reimburse each employee-beneficiary and employee-  
20 beneficiary's spouse for the cost increase within  
21 thirty days of the rate change. Each employee-  
22 beneficiary and employee-beneficiary's spouse who



1 becomes entitled to reimbursement from the fund for  
2 medicare part B premiums after July 1, 2006, shall  
3 designate a financial institution account into which  
4 the fund shall be authorized to deposit  
5 reimbursements. This method of payment may be waived  
6 by the fund if another method is determined to be more  
7 appropriate;

8 (3) The benefits available under this plan, when combined  
9 with benefits available under medicare or any other  
10 coverage or plan to which this plan is subordinate  
11 under the National Association of Insurance  
12 Commissioners' coordination of benefit rules, shall  
13 approximate the benefits that would be provided to a  
14 similarly situated employee-beneficiary not eligible  
15 for medicare;

16 (4) All employee-beneficiaries or dependent-beneficiaries  
17 who are eligible to enroll in the medicare part B  
18 medical insurance plan shall enroll in that plan as a  
19 condition of receiving contributions and participating  
20 in benefits plans under this chapter. This paragraph  
21 shall apply to retired employees, their spouses, and





1 the surviving spouses of deceased retirees and  
2 employees killed in the performance of duty; and  
3 (5) The board shall determine which of the employee-  
4 beneficiaries and dependent-beneficiaries, who are not  
5 enrolled in the medicare part B medical insurance  
6 plan, may participate in the plans offered by the  
7 fund."

8 SECTION 5. Section 87A-33, Hawaii Revised Statutes, is  
9 amended by amending subsection (a) to read as follows:

10 "(a) Notwithstanding any law to the contrary, this section  
11 shall apply to state and county contributions to the fund for:

- 12 (1) The dependent-beneficiary of an employee who is killed  
13 in the performance of duty;
- 14 (2) A dependent-beneficiary, upon the death of the  
15 employee-beneficiary, except as provided in section  
16 87A-36;
- 17 (3) An employee-beneficiary who retired after June 30,  
18 1984, due to a disability falling within sections 88-  
19 79 and 88-285;
- 20 (4) An employee-beneficiary who retired before July 1,  
21 1984;
- 22 (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 before July
  - 7 1, 2013; and
  - 8 (B) Retired with twenty-five or more years of
  - 9 credited service, excluding sick leave, except as
  - 10 provided in section 87A-36; and
- 11 (7) Employees who retired prior to 1961 and their
- 12 dependent-beneficiaries."

13 SECTION 6. Section 87A-33.5, Hawaii Revised Statutes, is  
14 amended to read as follows:

15 "[+]§87A-33.5[+] **State and county contribution;**  
16 **reimbursement for retired employees.** (a) Effective July 1,  
17 2007, an employee-beneficiary who retires and relocates outside  
18 of the State shall be reimbursed for the premiums paid by the  
19 employee-beneficiary for a personal health insurance policy;  
20 provided that the board shall determine which employee-  
21 beneficiaries and what types of personal health insurance  
22 policies shall be eligible for reimbursement and may set other



1 conditions consistent with this section that shall be met for  
2 the employee-beneficiary to receive the reimbursements provided  
3 under this section.

4 (b) For an employee first hired after June 30, 2013, who  
5 retires before reaching the medicare-eligible age, only a  
6 personal health insurance policy equivalent to a non-medicare  
7 self plan shall be eligible for reimbursement under this  
8 section. Upon and after reaching the medicare-eligible age, the  
9 retired employee-beneficiary shall not be eligible for  
10 reimbursement for any personal health insurance policy.

11 For an employee first hired after June 30, 2013, who  
12 retires upon or after reaching the medicare-eligible age, no  
13 personal health insurance policy shall be eligible for  
14 reimbursement under this section.

15 (c) The reimbursement under this section shall be the  
16 lesser of:

17 (1) The actual cost of the personal health insurance  
18 policy; or

19 (2) The amount of the state or county contribution for the  
20 most comparable health benefits plan.

21 Reimbursements shall be paid by the fund on a quarterly  
22 basis upon the presentation of documentation that the premiums



1 for the personal health insurance policy have been paid by the  
2 employee-beneficiary.

3 (d) This section shall apply to all employee-beneficiaries  
4 who retire and relocate outside of the State, regardless of  
5 their date of retirement."

6 SECTION 7. Section 87A-36, Hawaii Revised Statutes, is  
7 amended to read as follows:

8 "**§87A-36 State and county contributions; employees hired**  
9 **after June 30, 2001, and before July 1, 2013, and retired.** (a)

10 This section shall apply to state and county contributions to  
11 the fund for employees hired after June 30, 2001, and before  
12 July 1, 2013, and who retired, except that this section shall  
13 not apply to the following employees, for whom state and county  
14 contributions shall be made as provided by section 87A-35:

15 (1) An employee hired after June 30, 1996, and prior to  
16 July 1, 2001, who transfers employment after June 30,  
17 2001, and who cumulatively accrues at least ten years  
18 of credited service; and

19 (2) An employee hired after June 30, 1996, and prior to  
20 July 1, 2001, who has at least ten years of credited  
21 service prior to a break in service.

22 For purposes of this section:



1 "Break in service" means to leave state or county  
2 employment for more than ninety calendar days before returning  
3 to state or county employment.

4 "Transfer" means to leave state or county employment and  
5 return to state or county employment within ninety calendar  
6 days.

7 (b) For purposes of this section, if an employee leaves  
8 state or county employment and returns to state or county  
9 employment after July 1, 2001, and before July 1, 2013, upon  
10 retirement, the employee's years of service shall be computed in  
11 the same manner as set forth in chapter 88.

12 (c) The State, through the department of budget and  
13 finance, and the counties, through their respective departments  
14 of finance, shall pay to the fund:

15 (1) For retired employees based on the self plan with ten  
16 or more years but fewer than fifteen years of service,  
17 a monthly contribution equal to one-half of the base  
18 medicare or non-medicare monthly contribution set  
19 forth under section 87A-33(b);

20 (2) For retired employees based on the self plan with at  
21 least fifteen but fewer than twenty-five years of  
22 service, a monthly contribution equal to seventy-five



1 per cent of the base medicare or non-medicare monthly  
2 contribution set forth under section 87A-33(b);

3 (3) For retired employees based on the self plan with  
4 twenty-five or more years of service, a monthly  
5 contribution equal to one-hundred per cent of the base  
6 medicare or non-medicare monthly contribution set  
7 forth under section 87A-33(b); and

8 (4) One-half of the monthly contributions for the  
9 employee-beneficiary or employee-beneficiary with  
10 dependent-beneficiaries upon the death of the  
11 employee, as defined in paragraph (1)(E) of the  
12 definition of "employee" in section 87A-1.

13 If both husband and wife are employee-beneficiaries, the  
14 total contribution by the State or county shall not exceed the  
15 monthly contribution for two supplemental medicare self or non-  
16 medicare self plans, as appropriate."

17 SECTION 8. Statutory material to be repealed is bracketed  
18 and stricken. New statutory material is underscored.



# H.B. NO. 544

1 SECTION 9. This Act shall take effect on July 1, 2013.

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INTRODUCED BY:

*James Walsh*  
*Denny Ruffin*  
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*[Signature]*

JAN 18 2013



# H.B. NO. 544

**Report Title:**

Hawaii Employer-Union Health Benefits Trust Fund; New Employees

**Description:**

Limits the health insurance benefits for an employee who is first hired after 06/30/13 and who retires with at least 10 years of credited service. Provides that, if the employee retires before reaching the medicare-eligible age, the retired employee shall be allowed to enroll only in a non-medicare self plan. Requires the State or county to make a contribution towards the non-medicare self plan cost. Requires the retired employee to enroll in the medicare part B medical insurance plan if the employee retires upon or after reaching the medicare-eligible age. Requires contributions to or reimbursements for the medicare part B premium. Prohibits the retired employee from enrolling in any health benefits plan of the fund. Provides also that the spouse of a retired employee who is first hired after 06/30/13 shall not be eligible for medicare part B premium reimbursements.

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