



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-SEVENTH LEGISLATURE, 2013**

ON THE FOLLOWING MEASURE:

S.B. NO. 881, RELATING TO EMPLOYER-UNION HEALTH BENEFITS TRUST FUND.

BEFORE THE:

SENATE COMMITTEE ON JUDICIARY AND LABOR

DATE: Friday, February 1, 2013 **TIME:** 10:30 a.m.

LOCATION: State Capitol, Room 16

TESTIFIER(S): David M. Louie, Attorney General, or
Kyle K. Chang, Deputy Attorney General

Chair Hee and Members of the Committee:

The Department of the Attorney General opposes this bill as currently drafted.

S.B. No. 881 deletes the specific amounts for the base monthly contribution established under section 87A-33 of the Hawaii Revised Statutes (HRS). It also deletes the provisions for annually adjusting the base monthly contribution set forth in section 87A-33(d) and (e), HRS. Finally, it deletes the references to section 87A-33(b), HRS in sections 87A-34, 35, and 36, HRS.

This bill does not provide for the State and counties to pay any monthly contributions to the Hawaii Employer-Union Health Benefits Trust Fund ("EUTF") for the employee-beneficiaries and dependent-beneficiaries described in section 87A-33(a), HRS. The bill merely says is that the monthly contributions by the State and county "shall not exceed the actual costs of the health benefits plan or plans" or, if both husband and wife are employee-beneficiaries, the total contribution by the State or county "shall not exceed the monthly contribution for a supplemental medicare family or non-medicare family plan, as appropriate." See page 3, lines 3-8. This wording does not require the State or counties to contribute any particular amount or amounts; it just states a limitation on the amount that the State and counties contribute.

This bill does not clearly define the amount of monthly contributions that the State and counties are required to pay to the EUTF for the employee-beneficiaries and dependent-beneficiaries described in section 87A-33(a), HRS. Based on the current language of this bill, we cannot discern whether it means to require the State and counties to pay the total premium costs for the health benefits plan or plans that the eligible employee-beneficiaries and dependent-beneficiaries enroll in or some other amount or amounts. In this respect, the Committee should

note that a retired employee's total premium costs will differ greatly depending on whether he or she is enrolled in: (a) self-only, two-party, or family plans; (b) medicare supplemental or non-medicare plans; (c) the EUTF PPO or HMO medical plans; and (d) the EUTF prescription drug, dental, and/or vision plans, which are optional.

The bill does not clearly define the base monthly contribution that is referred to in sections 87A-34, 35, and 36, HRS. As currently written, section 87A-33, HRS defines the base monthly contribution in specific dollar amounts that have been and continue to be annually adjusted by the percentage changes in Medicare Part B rates. This bill does not define any base monthly contribution nor provide a method for its calculation. Even if one were to assume that the base monthly contribution was the total monthly premium costs for EUTF retiree health plans, as discussed above, that cost will vary from retiree to retiree depending on which plans he or she chooses. For purposes of sections 88-34, 35 and 36, HRS, the State and counties need to know a specific discernible amount or amounts in order to know what they should pay to the EUTF for retired employees covered by those sections, i.e., one-half of the base monthly contribution. See page 6, line 18; page 7, lines 11-12 and 16-17; page 8, lines 8-9 and 13-15.

Depending on whether the bill continues to reference a "base monthly contribution" and how it defines that term, section § 87A-33(c), HRS, may have to be revised. See page 6, lines 7-12. Currently, the EUTF uses a three-tier system, self-only, two-party, and family for retiree plans. Any change to this subsection should account for the possibility that the EUTF may change the tiering structure of its retiree plans in the future.

Finally, the Committee should note that taking away the limits or caps on State and county contributions afforded by the current section 87A-33, HRS, may increase the State's and counties' actuarially accrued liabilities for other post-employment benefits (OPEB). We understand that the current figures calculated for such OPEB liabilities were under the assumption that the limits or caps in sections 87A-33, 34, 35, and 36, HRS, would remain. At least one pending lawsuit seeks to increase the health benefits provided by the EUTF to retirees. If plaintiffs succeed in this respect, the deletion of limits or caps in this bill could result in a further increase in the State's and counties' current and long-term liabilities for retiree health benefits costs.

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR
ON
SENATE BILL NO. 881

February 1, 2013

RELATING TO THE EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Senate Bill No. 881 repeals the base monthly contribution amount formula for public employer contributions to the Employer-Union Health Benefits Trust Fund (EUTF) for State/county retirees' health benefits.

The Department of Budget and Finance strongly opposes this measure. First, the base monthly contribution formula provides an upper threshold parameter for the EUTF Board of Trustees in determining health benefits plan designs and benefits for State/county retirees. Cost is a significant consideration in the design of a health benefit plan and removing the upper threshold parameter could lead to development of health benefit plans for retirees that are unsustainable. It should be noted that collective bargaining of public employer EUTF contributions serves as the comparable upper threshold parameter for active State/county employees.

Second, the base monthly contribution formula for State/county retirees is one of the factors used by the actuary determining the unfunded other post-employment benefit (OPEB) liability of the EUTF. Repealing the base monthly contribution formula could result in an increase of the EUTF unfunded OPEB liability, which is currently \$16.3 billion for all State/county jurisdictions -- the State's portion of the unfunded OPEB liability is \$13.6 billion.

Hawaii Government Employees Association
Oahu Chapter, Retirees Unit

Testimony on S.B. 881 Relating to Employer-Union Health Benefits Trust Fund

Chair Clayton Hee and members of the Committee on Judiciary and Labor,

My name is Paul T. Matsuo, currently the President of the Retirees Unit, Oahu Chapter, Hawaii Government Employees Association (HGEA). The Oahu Chapter is composed of approximately 6,900 retired public government employees. Statewide we have a retiree membership of over 9,500 members. All of our members depend on the Employee-Union Health Benefit Trust Fund (EUTF) for our retirement health benefits.

Our members support the intent of S.B. 881 as this will assure that our members will be covered under the EUTF Health Plans with no additional out-of-pocket premium expense. We urge the Judiciary and Labor Committee to approve this bill.

Thank you for the opportunity to submit our testimony.

Respectfully submitted,



Paul T. Matsuo,
HGEA Retirees Unit
Oahu Chapter President

hee2 - Kathleen

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, January 31, 2013 3:02 PM
To: JDLTestimony
Cc: Palakiko96744@yahoo.com
Subject: Submitted testimony for SB881 on Feb 1, 2013 10:30AM

SB881

Submitted on: 1/31/2013

Testimony for JDL on Feb 1, 2013 10:30AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
James "Kimo" Palakiko	Individual	Support	Yes

Comments: As State retiree my family and I rely on our constitutionally guaranteed benefits like medical. My 2 sons attending college, my wife and my son that is graduating from Castle Highschool depend on these benefits to survive in Hawaii. Please don't cut, tax, or in any way diminish our benefits. Mahalo, James "Kimo" Palakiko

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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