



Senate Committee on Judiciary and Labor
 Friday, February 1, 2013
 10:30 a.m.

SB 884, Relating to the Hawaii Employer-Union Health Benefits Trust Fund

Dear Chairmen Hee and Committee Members:

On behalf of the University of Hawaii Professional Assembly (UHPA), our union strongly encourages the passage of this bill to reform and alter the Employer Union Trust Fund that provides various health insurance coverage to public employees. After examining, evaluating, and considering numerous options, the unions representing public employees in the state of Hawaii have reached a consensus over the principles embodied in this Act. The decision to support fundamental changes in the EUTF is in response to the failure of the existing governance system; a system that was characterized as being equivalent to the private sector union-employer health and welfare trust but does not function in that manner.

This proposal addresses key issues that must be changed, which can be summarized in the following.

- This bill would include all thirteen discrete bargaining units, and would not allow “opting out” provisions, but rather would allow for shared benefit plans for public employees under the same state or county employer.
- Like in a private sector Taft-Hartley Trust, the fiduciary responsibility of the trustees would be to the beneficiaries.
- The negotiated contributions placed in the trust would be permanently segregated from the employer and the union, and remain under the control of the trustees.
- The trust would appoint an independent legal counsel and plan consultants, who are not obligated to the employer. Legal services to the EUTF are currently provided by the attorney general of the state of Hawaii, appointed by the Governor, who is the employer.
- The EUTF trustees would be appointed by the respective unions and the employers, e.g., state of Hawaii and City & Counties, and would continue subject to the support of the appointing union or employer, unlike the current EUTF where all trustees are appointed by the employer, i.e., the Governor of the state of Hawaii.

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- The respective public employer and unions would be allowed to negotiate different contributions to the trust for each bargaining unit based on the benefits and conditions of a mutually agreed upon set of health insurance offerings. Currently, the right to negotiate only the fix dollar contributions to a plan without controlling such things as the plans' coverage, deductibles, or co-payments, prevents meaningful negotiations, especially when the parties are interested in the total cost of both salary and fringe benefits. As long as the federal government continues to provide employers, including the state of Hawaii, with substantially reduced employment taxes for contributions to health insurance, it makes sense for the parties to be able to fully negotiate these benefits in relationship to salary.

This bill would not discontinue the EUTF as an umbrella for providing health insurance to all active and retired public employees, including those excluded from bargaining units under H.R.S. Chapter 89 or elected legislators. It would, however, accommodate the reasonable expectation of the public employees that health care benefits should be a subject included in collective bargaining. In every other employment setting, it would be the generally accepted expectation that unions would negotiate with employers over both salary and *fringe benefits*. Having both parts in the equation is in the best interest of both the employers and their employees.

Respectively submitted,

A handwritten signature in black ink that reads "Kristeen Hanselman". The signature is written in a cursive, flowing style.

Kristeen Hanselman
Associate Executive Director



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

LATE TESTIMONY

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The Twenty-Seventh Legislature, State of Hawaii
The Senate
Committee on Judiciary and Labor

Testimony by
Hawaii Government Employees Association
February 1, 2013

S.B. 884 – RELATING TO
COLLECTIVE BARGAINING

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of S.B. 884, which makes fundamental changes to the structure and operating principles of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF). There is widespread agreement that the EUTF is not operating as originally intended and has become a serious concern for both employees and employers.

The current system needs fundamental change. S.B. 884, in conjunction with S.B. 885, which would permit the negotiation of health care contributions, contains several significant reforms that will eliminate many of the problems that currently make the EUTF ineffective and expensive.

Benefits are an integral part of employee compensation and should be negotiated between unions and employers, as is the practice in the private sector. Other reform efforts can be achieved through negotiations and must include effective mechanisms for controlling costs, encouraging preventive care, implementing wellness programs, requiring information on provider performance and enhancing efficiency. S.B. 884 contains the following reforms to the EUTF:

1. It changes the method of selecting benefit plan carriers, third party administrators, consultants and actuaries by exempting the process from Chapter 103-D, HRS. This will provide the necessary flexibility to respond to problems faster.
2. Board members must act as fiduciaries of the trust. As fiduciaries, board members are required to make decisions based solely on the interest of the participants and beneficiaries. Board members who willfully violate their fiduciary responsibilities may be liable for any loss suffered by the plan, increasing the accountability of the trustees.
3. The composition of the board and the method of selecting them are also changed. Six trustees representing employee-beneficiaries will be appointed by the various exclusive representatives instead of the Governor. The six

trustees representing the employer will be better distributed among the different jurisdictions, with one trustee appointed by the Governor representing retirees. All trustees serve at the pleasure of their appointing authority.

4. It allows individual unions and employers to establish a sub-trust and sub-board of trustees to administer that bargaining unit's contributions and benefits if they negotiate a specific contribution to apply only to that unit.
5. The board can appoint or retain legal counsel who is independent of the Attorney General.
6. Health Plans shall be provided based on the collectively bargained contributions from both the employers and employees, not "at a cost affordable to both the public employers and employees."
7. For administrative purposes, the fund controlled by the board is placed under the Department of Human Resources Development, not the Department of Budget and Finance.

We appreciate the opportunity to testify in support of S.B. 884, as the measure will make much needed changes to the EUTF.

Respectfully submitted,


Randy Perreira
Executive Director