
A BILL FOR AN ACT

MAKING AN APPROPRIATION FOR THE PREMIUM SUPPLEMENTATION TRUST
FUND.

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

1 SECTION 1. The legislature finds that the premium
2 supplementation trust fund was created in 1974 to pay premium
3 supplementations to qualified employers and to pay health care
4 expenses to eligible employees of non-complying or insolvent
5 employers. The fund was established by a one-time general fund
6 appropriation of \$500,000 and remained healthy during its first
7 thirty years of existence, but the health of the fund began to
8 decline as more employers sought supplementation payments to help
9 pay for their health care premiums. The legislature further finds
10 that between 2004 and July 2015, the fund's balance declined from
11 \$3,478,617 to \$226,526. During the fourteen-month period from June
12 1, 2014, to July 31, 2015, the fund paid over \$555,619 in premium
13 supplementations and, at the current payout rate, the department of
14 labor and industrial relations predicts the fund will become
15 insolvent in fiscal year 2016-2017.

16 The purpose of this Act is to ensure the fund remains solvent
17 to carry out the purposes of the Prepaid Health Care Act.

H.B. NO. 2361

1 SECTION 2. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$500,000 or so much
3 thereof as may be necessary for fiscal year 2016-2017 to be
4 deposited into the premium supplementation trust fund.

5 SECTION 3. This Act, upon its approval, shall take effect
6 on July 1, 2016.

7 INTRODUCED BY: _____



8 BY REQUEST

JAN 25 2016

Report Title:

Appropriation; Premium Supplementation Trust Fund

Description:

Makes an appropriation to replenish funds in the Premium Supplementation Trust Fund to cover the costs of health care expenses for eligible employees and for premium supplementation for employers that are entitled to premium supplementation under the Prepaid Health Care Law.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

JUSTIFICATION SHEET

DEPARTMENT: Labor and Industrial Relations

TITLE: A BILL FOR AN ACT MAKING AN APPROPRIATION FOR THE PREMIUM SUPPLEMENTATION TRUST FUND.

PURPOSE: To replenish the Premium Supplementation Trust Fund by appropriating out of the general revenues of the State of Hawaii \$500,000 for fiscal year (FY) 2016-2017 to be deposited in the Premium Supplementation Trust Fund to carry out the purposes of the Prepaid Health Care Act (PHCA).

MEANS: Appropriate out of the general revenues of the State of Hawaii \$500,000 for FY 2016-2017 to be deposited in the Premium Supplementation Trust Fund.

JUSTIFICATION: The purpose of the Premium Supplementation Trust Fund is to pay premium supplementation to qualified employers and to pay health care expenses of eligible employees of non-complying or insolvent employers.

The Trust Fund was established in 1974 by a one-time \$500,000 appropriation from the General Fund. Since then, the Trust Fund has been supported by fines and penalties collected pursuant to the PHCA and by the interest income from its investments.

In 2004, the Trust Fund's balance began declining when premium supplementations awarded to qualifying employers began increasing. Between 2004 and July 2015, the Fund's balance declined from \$3,478,617 to \$226,526. During the past fourteen-month period from June 1, 2014, to July 31, 2015, the fund has paid over \$555,619 in premium supplementations and, at the current payout rate, the department predicts the fund will become insolvent in FY 2016-2017.

Impact on the public: The appropriation will allow qualifying employers to continue to receive premium supplementations and will allow employees of non-complying and insolvent employers to continue to receive the medical protection provided for by the PHCA.

Impact on the department and other agencies: Making the appropriations will allow the Department of Labor and Industrial Relations to carry out the purposes of the PHCA.

GENERAL FUND: \$500,000 in fiscal year 2016-2017.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: LBR183.

OTHER AFFECTED
AGENCIES: None.

EFFECTIVE DATE: July 1, 2016.