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**STATE OF HAWAII**  
**HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**

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**TESTIMONY BY DEREK MIZUNO**  
**ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**  
**DEPARTMENT OF BUDGET AND FINANCE**  
**STATE OF HAWAII**  
**TO THE HOUSE COMMITTEE ON PUBLIC EMPLOYMENT & LABOR**  
**ON**  
**HOUSE BILL NO. 2016**

February 2, 2016, 9:30 a.m.

**RELATING TO PUBLIC EMPLOYEES**

Chair Nakashima, Vice Chair Keohokalole, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees has not had an opportunity to take a position on this bill. However, the Committee should be aware of a number of items. The EUTF and the Employees' Retirement System (ERS) have been in discussions regarding the ERS withholding of the retirees' and beneficiaries' portions of their health benefit plan premiums from their pensions and remittance to the EUTF. In order for the ERS to withhold the amounts from the retirees' and beneficiaries' pensions, the EUTF must provide the retirees' and beneficiaries' identifying information and their share of the monthly health plan premiums to the ERS. Since the EUTF is a covered entity under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), this information is considered protected health information. Under HIPAA, the EUTF must enter into a Business Associates Agreement (BAA) with the ERS before it can provide this information. The

**EUTF's Mission:** We care for the health and well being of our beneficiaries by striving to provide quality benefit plans that are affordable, reliable, and meet their changing needs. We provide service that is excellent, courteous, compassionate, and informative.

BAA establishes what the business associate, ERS, is engaged to do and requires the ERS to protect the privacy and security of the protected health information. To date the two parties have not been able to agree on a BAA.

Additionally, the EUTF is investigating options for employees and retirees to pay electronically. This option (and a voluntary withholding from their pension option) may be a better alternative as retiree and beneficiary pensions may be less than their share of the premiums or may become less in the future as health premiums grow at a faster rate than the pension cost of living adjustments, and certain retirees and beneficiaries do not have ERS pensions.

Finally, section 87A-40(b) already provides a mechanism for the ERS to withhold the retirees and beneficiaries portions of health benefit plan premiums from their pensions and an implementation date of July 1, 2016 may not be feasible because of the time necessary to execute a BAA and to modify the EUTF and ERS computer systems to accommodate the change in process.

Thank you for the opportunity to testify.

TESTIMONY BY THOMAS WILLIAMS  
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM  
STATE OF HAWAII

TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
ON

HOUSE BILL NO. 2016

FEBRUARY 2, 2016, 9:30 A.M.

RELATING TO PUBLIC EMPLOYEES

Chair Nakashima, Vice Chair Keohokalole and Members of the Committee,

H.B. 2016 would require the Employees' Retirement System (ERS) to transfer contributions by retirees and beneficiaries to the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) that represent the difference between the monthly contributions by the State or county to the EUTF and the actual costs of health benefit plans under the EUTF.

The ERS Board of Trustees has not had the opportunity to review H.B. 2016 and therefore has not taken a formal position on this proposal; however, the ERS staff has the following comments and concerns:

- H.B. 2016 proposes to amend Section 88-6, Hawaii Revised Statutes (HRS), regarding ERS payments of refunds and retirement benefits to ERS retirees and beneficiaries; however, these amendments may more appropriately apply to Section 88-95, HRS, which already provides for the withholding of insurance premiums to the EUTF. This section states that the retired member "may have withheld from the retired member's pension, annuity, or retirement allowance, payments to the employer-union health benefits trust fund and employee organizations for dues and insurance premiums." Though in existence and under discussion between the ERS and EUTF since 2006, this premium deduction from pensioner benefits has not yet been applied.
- Determination of any amounts that the EUTF is permitted to have deducted from ERS benefits should be in the EUTF's statute. If the ERS will be required to deduct sums payable to the EUTF from ERS benefit payments, the ERS should be entitled to rely on the EUTF for the accuracy of the amounts and the EUTF's authority to be paid.

- As the state agency with the responsibility for handling confidential and protected health information on state and county employees and retirees, the EUTF falls under the procedures and regulations of the Health Insurance Portability and Accountability Act (HIPAA). Any transfer of retiree, beneficiary and medical premium information between the EUTF and ERS will require a formal agreement which would clearly specify the responsibilities and liabilities of both parties. Our previous experience with supporting such a “Business Associates Agreement” with the EUTF has been stalled by ERS concerns of being held accountable for responsibility and liability of any breach of confidential information under HIPAA regulations, beyond the ERS's responsibilities under state law.
- In addition, the ERS has concerns about situations in which the amount payable by the ERS to a retiree or beneficiary is not sufficient to cover the EUTF premium contribution deduction. This also leads to our further concern regarding the one-time “opt out” election for the EUTF withholding of premiums. EUTF premiums may change from year to year; and, the ERS benefit payment may be subject to reductions based on additional deductions or life events. A one-time opt out might not protect a retiree from receiving no monthly retirement payment.
- Finally, the ERS also questions this bill’s proposed requirement that the ERS file annual reports to the legislature of withheld EUTF premium payments. As EUTF premiums are determined by the EUTF, requested by the EUTF and received by the EUTF, the ERS believes that the EUTF would be the agency with the most accurate information and would be most accountable to the legislature on this requirement of H.B. 2016.

Thank you for this opportunity to provide comments on this very important legislation.

LABtestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Friday, January 29, 2016 6:49 PM  
To: LABtestimony  
Cc: pangd004@hawaii.rr.com  
Subject: Submitted testimony for HB2016 on Feb 2, 2016 09:30AM

**HB2016**

Submitted on: 1/29/2016

Testimony for LAB on Feb 2, 2016 09:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Darlene Pang	Individual	Support	No

Comments: Retired teachers are being affected adversely from having to send in checks to pay for their portion of medical benefits. Having any co-payments deducted from their retirement payments will reduce the number of teachers who tell HSTA-R that they have been on vacation, in the hospital themselves, or otherwise unable to pay. Also they say that premiums keep changing and it is a major hassle to keep up with the changing amounts. I totally support this bill.

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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## LABtestimony

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From: Carol Nitta <cleonitta2233@yahoo.com>  
Sent: Friday, January 29, 2016 6:45 PM  
To: LABtestimony  
Cc: Mailing List  
Subject: HB2016. SB 2428

Sent from my iPhone

Carol Nitta speaking as  
an individual supports

HB 2016 and SB2428. I support HB 2016 and companion SB 2428 because it will benefit citizens with the high cost of medical coverage especially in today's economy..

Beverly Gotelli  
HSTA-Retired Member  
6286 Opaekaa Road  
Kapaa, HI 96746

February 2, 2016

HB 2016: Relating to Public Employees  
Room 309 9:30 am

Chair Nakashima, Vice Chair Keohokalole:

Good morning Chair Nakashima Vice Chair Keohokalole and members of the Committee, I'm Beverly Gotelli a retired teacher writing in support of HB 2016.

In the near future we will have more retirees paying a portion of their medical premium due to changes made in recent years. We understand the need to pay a portion of the premium what we want to see is an easier process in which it is done.

We have been told current retirees must send in payment by check which is fine but what happens when someone is on a trip or ill and misses a payment. I support this legislation as a win-win for both the retiree and the Employee Union Trust Fund (EUTF). The Employee's Retirement System would deduct the premium prior to disbursing payment to the retiree. State and County retirees have had automatic deductions done while working and continue today for various deductions, i.e. Federal Income Tax, Union Dues, Life Insurance.

Deductions are being currently done so why can't it be done for the EUTF. Premiums would be made in a timely fashion and the retiree would not need to be burdened with an additional payment.

I ask your support for this legislation as it is beneficial to the State and the retiree.

Thank you for you for the opportunity to testify on this matter.