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TESTIMONY BY SANDRA YAHIRO
ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 922

February 10, 2015, 9:00 a.m.

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND (EUTF)

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

The purpose of this bill is to amend the definition of “dependent-beneficiary” contained in EUTF’s statute, chapter 87A, Hawaii Revised Statutes, to clarify eligibility of children for participation in EUTF’s benefit plans and to bring the definition in conformance with the federal Affordable Care Act.

The EUTF Board of Trustees ***supports*** this Administration bill.

Currently when an employee passes away while actively employed and was eligible to retire at the time of his/her death or when the employee was killed in the performance of duty EUTF covers the surviving spouse and the surviving spouse’s dependent children. Similarly, when a retiree passes away, EUTF covers the surviving spouse and the surviving spouse’s children. In most cases, the surviving spouses pay

$-0- for their coverages; their premiums are paid entirely by the State or county. If the surviving spouse remarries; however, they are no longer eligible for coverage.

EUTF recently discovered cases where the surviving spouses were adding young newborns on their plans when the employee or retiree passed away years ago.

As an example: an employee passed away in 2006. At the time of her passing, she was married with two children. EUTF covered her surviving spouse and two children at 100% of premium. In other words, the surviving spouse paid $-0- to cover himself and his two children. Both children subsequently aged off of the plans in 2009 and 2010. However, in 2011 the surviving spouse added a newborn. In 2012 he advised EUTF he was remarrying. He was advised that when he remarries he will be cancelled from EUTF's plans. EUTF did not receive any formal notice of marriage and continued his coverage and his new baby's coverage – again at no cost to the surviving spouse. In 2014 he called to add another newborn. At that time, EUTF inquired whether he remarried and he said he decided not to so that he could keep his EUTF coverage.

Another example: retiree passes away. EUTF covers surviving spouse at 100% of premium. Surviving spouse subsequently moves in with someone who has 3 children, does not remarry, but adopts the 3 children. In current law, the surviving spouse could add all 3 children with the State/county paying 100% of the premium for the surviving spouse and the newly adopted 3 children.

While EUTF does not have many of these cases at this time, we believe the Legislature never intended to cover children that are not dependent children of the deceased employee or retiree. Currently, the premium for self coverage of a non-

Medicare retiree enrolled in our PPO medical, drug, dental and vision plans is approximately $611 per month; whereas the premium for family coverage is approximately $1,750 per month. That's a difference of $1,139 per month or $13,668 per year the State and/or counties are paying that we believe the Legislature never contemplated or intended to cover. This additional cost is born principally by the State or county as the vast majority of retirees still receive 100% of the premium paid by the State/County. This additional expense also adds to the overall liability of the State to meet its other post employment benefit (OPEB) liability.

The other change this bill will accomplish is to delete the requirement that a "child' must be unmarried since the Affordable Care Act requires coverage of children up to age 26 regardless of whether or not they are married for our active employee plans.

Thank you for the opportunity to testify.