DAVID Y. IGE
GOVERNOR

STATE OF HAWAII
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
P.O. BOX 2121
HONOLULU, HAWAII 96805-2121
Oahu (808) 586-7390
Toll Free 1(800) 295-0089
www.eutf.hawaii.gov

TESTIMONY BY DEREK MIZUNO
ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR
ON
SENATE BILL NO. 2839

February 5, 2016, 9:00 a.m.

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Chair Keith-Agaran, Vice Chair Shimabukuro, 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 strongly supports this Administration bill.

Currently when an employee passes away while actively employed and eligible to retire at the time of his/her death or when the employee was killed in the performance of duty, the 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 as their premiums are paid entirely by the State or counties. If the surviving spouse remarries; however, they are no longer eligible for coverage.

EUTF has identified a few situations in which retiree surviving spouses added dependents to their plans more than 10 months after the death of the retiree. The estimated cost to the employer is $225,000 based on coverage of the dependents up to age 19 (if the dependent was a full-time student coverage would be up to age 24 adding another $60,000).

Currently, the premium for self coverage of a non- Medicare retiree enrolled in the EUTF PPO medical, drug, dental and vision plans is approximately $710 per month; whereas the premium for two-party coverage is approximately $1,383 per month. That's a difference of $673 per month or $8,076 per year the State or counties are paying that we believe the Legislature never contemplated or intended to cover. This additional cost is born principally by the State and counties as the vast majority of retirees still receive 100% of the premium paid by the State and counties. 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 remove 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.