

# **HB 1066**

**RELATING TO THE HAWAII EMPLOYER-  
UNION HEALTH BENEFITS TRUST FUND  
EXEMPTION FROM THE INSURANCE CODE.**

**LAB, FIN**

# HB1066



Submit Testimony

**Measure Title:** RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND EXEMPTION FROM THE INSURANCE CODE.

**Report Title:** Hawaii Employer-Union Health Benefits Trust Fund (EUTF); Insurance

**Description:** Expands the exemption of the EUTF from the insurance code for the design of benefit plans offered by the EUTF.

**Companion:** [SB932](#)

**Package:** Governor

**Current Referral:** LAB, FIN

**Introducer(s):** SOUKI (Introduced by request of another party)

<a href="#">Sort by Date</a>		Status Text
1/23/2017	H	Pending introduction.
1/25/2017	H	Pass First Reading
1/27/2017	H	Referred to LAB, FIN, referral sheet 5
2/6/2017	H	Bill scheduled to be heard by LAB on Thursday, 02-09-17 11:00AM in House conference room 309.

**S** = Senate | **H** = House | **D** = Data Systems | **\$** = Appropriation measure | **ConAm** = Constitutional Amendment  
Some of the above items require Adobe Acrobat Reader. Please visit [Adobe's download page](#) for detailed instructions.

# H.B. NO. 1066

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## A BILL FOR AN ACT

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
EXEMPTION FROM THE INSURANCE CODE.

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

1           SECTION 1. The legislature finds that under current law,  
2 the Hawaii employer-union health benefits trust fund (EUTF) is  
3 unable to conduct business in the manner most cost-efficient to  
4 both public employers and employees. A revision to the EUTF's  
5 enabling legislation is necessary to clarify that the EUTF board  
6 of trustees has final authority to design the benefit plans  
7 offered by the EUTF and that health insurance providers who may  
8 contract with the EUTF are exempt from the mandatory benefit  
9 requirements of the insurance code.

10           SECTION 2. Section 87A-16, Hawaii Revised Statutes, is  
11 amended to read as follows:

12           " ~~[+]§87A-16[+]~~ **Health benefits plan; carriers.** (a) The  
13 board shall establish the health benefits plan or plans, which  
14 shall be exempt from the ~~[minimum-group]~~ mandatory benefit  
15 requirements of ~~[chapter 431]~~ title 24 unless otherwise  
16 specified. The board may contract with insurers, as defined in  
17 section 431:1-202, mutual benefit societies, as defined in

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1 section 432:1-104, and carriers, as defined in sections 432D-1  
2 and 432G-1, each of which shall be exempt from the mandatory  
3 benefits as required by chapters 431, 432, 432D, and 432G.

4 (b) The board may contract for health benefits plans or  
5 provide health benefits through a noninsured schedule of  
6 benefits."

7 SECTION 3. Section 87A-19, Hawaii Revised Statutes, is  
8 amended by amending subsection (b) to read as follows:

9 "(b) The board shall establish the medical, hospital, or  
10 surgical benefits plan or plans, which shall be exempt from the  
11 [~~minimum group~~] mandatory benefit requirements of [article 10A  
12 of chapter 431] title 24 unless otherwise specified. The board  
13 may contract with insurers, as defined in section 431:1-202,  
14 mutual benefit societies, as defined in section 432:1-104, and  
15 carriers, as defined in section 432D-1 and 432G-1, each of which  
16 shall be exempt from the mandatory benefits as required by  
17 chapters 431, 432, 432D, and 432G. The medical, hospital, or  
18 surgical benefits plan or plans shall provide, pay for, arrange  
19 for, or reimburse the cost of medical, hospital, or surgical  
20 services, and may include prescribed hospital in-patient and  
21 out-patient service and medical benefits."

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1 SECTION 4. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 5. This Act shall take effect upon its approval.

4  
5  
6  
7

INTRODUCED BY: \_\_\_\_\_



BY REQUEST

JAN 23 2017

# H.B. NO. 1066

**Report Title:**

Hawaii Employer-Union Health Benefits Trust Fund (EUTF);  
Insurance

**Description:**

Expands the exemption of the EUTF from the insurance code for the design of benefit plans offered by the EUTF.

*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: Budget and Finance

TITLE: A BILL FOR AN ACT RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND EXEMPTION FROM THE INSURANCE CODE.

PURPOSE: To clarify that the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) board of trustees has final authority to design the benefit plans offered by the EUTF and that health insurance providers who may contract with the EUTF are exempt from the mandatory benefit requirements of the insurance code.

MEANS: Amend sections 87A-16 and 87A-19(b), Hawaii Revised Statutes (HRS).

JUSTIFICATION: Section 87A-15, Hawaii Revised Statutes, sets forth the purpose of the EUTF as follows: "Administration of the fund. The board shall administer and carry out the purpose of the fund. Health and other benefit plans shall be provided at a cost affordable to both the public employers and public employees." Subjecting the EUTF to the insurance code may make it difficult for the EUTF to meet its mandated purpose.

Impact on the public: None.

Impact on the department and other agencies:  
None.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: None.

OTHER AFFECTED AGENCIES: None.

EFFECTIVE DATE: Upon approval.



DAVID Y. IGE  
GOVERNOR

**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 LABOR & PUBLIC EMPLOYMENT**  
**ON HOUSE BILL NO. 1066**

**February 9, 2017**  
**11:00 a.m.**  
**Room 309**

**RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**  
**EXEMPTION FROM THE INSURANCE CODE**

Chair Johanson, Vice Chair Holt, and Members of the Committee:

The EUTF Board of Trustees strongly supports this Administration bill. Under Section 87A-16, Hawaii Revised Statutes (HRS), the EUTF “shall be exempt from the minimum group requirements of chapter 431.” The EUTF has interpreted this as exempting it from the mandatory benefit requirements of Chapter 431, HRS Insurance Code as well as Chapters 432, HRS which include Chapters 432 Benefit Societies and 432D Health Maintenance Organizations which govern the EUTF’s carriers providing fully insured medical plans. At least one of the EUTF’s carriers believes that they are still subject to the mandatory benefit requirements of Chapters 432 and 432D, HRS. Such disagreement can lead to unintended consequences. An example of this are the limited prescription drug benefit requirements related to contraceptives (Section 432:1-604.5, HRS), diabetes (Section 432:1-612) and chemotherapy (Section 432:1-616,

**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 informed service that is excellent, courteous, and compassionate.



HRS) contained in Chapter 432, HRS. The EUTF active employee medical plans are bundled with the EUTF's self-funded prescription drug plan which contain the limited prescription drug benefits under Chapter 432, HRS. Therefore, all active employees enrolling in the EUTF medical plans receive the limited prescription drug benefits required under Chapter 432, HRS through the bundled prescription drug plan. However, the EUTF's medical carrier included these limited prescription drug benefits in their medical plan to comply with Chapter 432, HRS. As a result, the EUTF active employees received dual coverage. The carrier has removed the limited prescription drug benefits for active employee plans effective July 1, 2016 and is working with the EUTF to determine the impact of the dual coverage for prior periods. Passage of the proposed bill will clarify such situations.

Additionally, the EUTF's medical plan carriers have both confirmed that the EUTF's medical plans contain the mandatory benefit requirements of Chapters 431, 432 and 432D, HRS excluding the aforementioned limited prescription drug benefits.

Should the legislature desire to add legislatively mandated benefits to the EUTF plans, the legislature can (and has been over the past two legislative sessions) include application of the bill to Chapter 87A, HRS. However, there may be situations in which it may be in the best interests of the State not to mandate benefits to the EUTF plans. For example, currently it is unclear whether HB552 Relating to Health Insurance, that mandates that Hawaii health plans include certain provisions of the Affordable Care Act (ACA) such as the 10 essential health benefits and dependent coverage until the children turn age 26, applies to the EUTF retiree plans. Since the EUTF retiree plans are not subject to ACA (ACA does not apply to retiree only plans), the EUTF Board did

not bundle the medical and prescription drug plans nor add dependent coverage until the children turn age 26. This would have significantly increased annual retiree medical and prescription drug premiums and the other post-employment benefits (OPEB) actuarial accrued liability. Additionally, Section 87A-33(b), HRS states that employers may decide not to pay for benefit enhancements to the EUTF retiree plans after plan year 2004-2005. For example if HB552 is enacted and it applies to the EUTF retiree plans, and the employers decide not to pay for the benefits, the EUTF will have to monthly bill **all** EUTF retirees (including retirees who fall under the 100% employer contribution tier) in the medical and prescription drug plans for the additional premiums related to the provisions of HB552.

Thank you for the opportunity to testify.



An Independent Licensee of the Blue Cross and Blue Shield Association

February 9, 2017

The Honorable Aaron Ling Johanson, Chair  
The Honorable Daniel Hold, Vice Chair  
House Committee on Labor and Employment

Re: HB 1066 – Relating to the Hawaii Employer-Union Health Benefits Trust Fund Exemption  
from the Insurance Code

Dear Chair Johanson, Vice Chair Holt, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1066, which proposes to exempt the Hawaii Employer-Union Trust Fund (EUTF) from the mandatory health benefit requirements mandated to be included in health plans. HMSA offers comments on this Bill.

This Bill seeks to clarify current statute governing the health benefits afforded members of the EUTF with respect to the application of health benefits mandated to be included in health plans offered by carriers. Current statute exempts the EUTF from certain health benefit plan requirements as follows:

[§87A-16] Health benefits plan; carriers. (a) The board shall establish the health benefits plan or plans, which shall be exempt from the minimum group requirements of chapter 431.

There has been uncertainty with respect to whether this exemption applies to health benefit plans offered to EUTF members by carriers subject to Chapter 432 HRS and Chapter 432D HRS.

This measure attempts to address that uncertainty.

Thank you for the opportunity to testify on this measure.

Sincerely,

Mark K. Oto  
Director, Government Relations

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Late testimony