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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 SENATE COMMITTEE ON LABOR
ON SENATE BILL NO. 2761

January 30, 2018
2:45 p.m.
Room 229

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFTIS TRUST FUND DEFINITION OF “DEPENDENT-BENEFICIARY”

Chair Tokuda, Vice Chair English, and Members of the Committee:

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 an employee is 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, surviving spouses pay $-0- for their health benefits as their premiums are paid entirely by the State or counties. If the surviving spouse remarries or enters into a domestic partnership, however, they are no longer eligible for coverage.

EUTF has identified a few situations in which surviving spouses added dependents to their plans more than 10 months after the death of the retiree, without getting married or entering into a domestic partnership. 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 $746 per month, whereas the premium for two-party coverage is approximately $1,454 per month. That's a difference of $708 per month or $8,496 per year that the State or counties are paying which we believe the Legislature never contemplated or intended to cover. This additional cost is borne principally by the State and counties as 95% of retirees still receive 100% of their premiums paid by the State and counties. This additional expense also adds to the actuarial accrued liability of the State and counties to pay other post-employment benefits.

The other change this bill will accomplish is to remove the requirement that a "child" must be unmarried and live with the employee since the Affordable Care Act has no such requirements for coverage of children up to age 26 for active employee medical and prescription drug plans.

Thank you for the opportunity to testify.

The Senate Committee on Labor
Tuesday, January 30, 2018
2:45 PM, Conference Room 229

RE: **SB 2761, Relating to the Hawaii Employer-Union Health Benefits Trust Fund Definition of “Dependent-Beneficiary”**

Attention: Chair Jill Tokua, Vice Chair J. Kalani English and members of the Committee

The University of Hawaii Professional Assembly (UHPA) urges the committee to **support passage of SB 2761,** that amends the definition of “Dependent-Beneficiary” under Section 87A of the Hawaiʻi Revised Statutes, to clarify the eligibility of children in fund benefit plans, and to bring the definition of “dependent-beneficiary” in conformance with the federal Patient Protection Affordable Care Act of 2010.

The current ambiguity in the statute allows for dependent beneficiaries adopted or born **after** the fund eligible employee or retiree death to have access to fund benefits through the employee‘s or retiree‘s surviving spouse, which we believe is not the intent, and outside of normal dependent-beneficiary eligibility practices.

This measure will also change the definition of “dependent-beneficiary” from “Unmarried Child” to “Child” and remove the requirement of the living with the employee beneficiary, which will conform the statute with the federal Patient Protection Affordable Care Act of 2010.

Thank you for the opportunity to provide testimony on this measure. **UHPA supports the passage of SB 2761.**

Respectfully submitted,

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Executive Director

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