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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 JUDICIARY AND LABOR
ON SENATE BILL NO. 928

February 13, 2017
9:30 a.m.
Room 016

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

Chair Keith-Agaran, Vice Chair Rhoads, 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 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 surviving spouses added dependents to their plans more than 10 months after the death of the retiree or employee, 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 $763 per month, whereas the premium for two-party coverage is approximately $1,486 per month. That's a difference of $723 per month or $8,676 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 the vast majority 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.