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LATE



**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 COMMITTEES ON LABOR & PUBLIC EMPLOYMENT
ON HOUSE BILL NO. 1345**

**February 5, 2019
8:30 a.m.
Room 309**

**RELATING TO THE HAWAII EMPLOYER UNION HEALTH BENEFITS TRUST FUND
BUDGET**

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

The Hawaii Employer Union Health Benefits Trust Fund (EUTF) Board of Trustees strongly supports this bill. The EUTF provides health insurance to nearly 200,000 State and county employees, retirees and their dependents and collects and pays approximately \$1 billion in premiums annually. The EUTF is requesting authorization for fiscal biennium 2019-2021 to expend Trust Funds in addition to the budget base amounts contained in House Bill No. 2 Relating to the State Budget.

These additional funds will come from EUTF Trust Fund reserves (and not from the State's General Fund) which have been built up from surpluses (premiums collected in excess of claims and third-party administrative fees) from the self-funded prescription drug plan and refunds of surpluses from certain medical, dental and vision plans. Prior to 2014, the EUTF would add an EUTF administrative fee to the premiums (e.g. \$1.50 - \$3.50 per medical self plans) to be paid by the employee, retiree and/or employer.

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.

Since 2014 and through December 31, 2028 for retiree and June 30, 2029 for employee plans, the EUTF Board of Trustees (Board) have and will be funding EUTF operations from reserves including these additional budget requests. The EUTF's additional budget requests of \$10,365,577 for fiscal year 2019-2020 and \$882,755 for fiscal year 2020-2021 are separated into the following four categories:

Benefits Administration System (additional funds of \$9,956,000 for FY 2019-2020 and \$367,167 for FY 2020-2021). The EUTF's benefits administration system (BAS) serves as the backbone of EUTF operations, as it maintains demographic and enrollment information; communicates with the members, employers, carriers, ERS and financial institutions; and performs calculations of member and employer contributions. The current BAS was implemented in September 2009, cost \$10.5 million and mainly utilizes pension-based software. Because the current BAS is pension-based, the BAS had to be significantly customized over the years which prohibited upgrading the software to a version with member self-service. The main goals of a new BAS are to offer member self-service (e.g. members could go online and add or remove dependents or make plan changes during open enrollment), communicate with members through texts or email and eliminate EUTF staff's manual processes. In 2018, the EUTF hired a consultant, Public Consulting Group (PCG), to conduct a feasibility study (see attached) to assist in determining whether an upgrade of the current software or procurement of a new BAS was preferable and to estimate costs. PCG has recommended procurement of a new BAS at estimated costs that are used in this budget request.

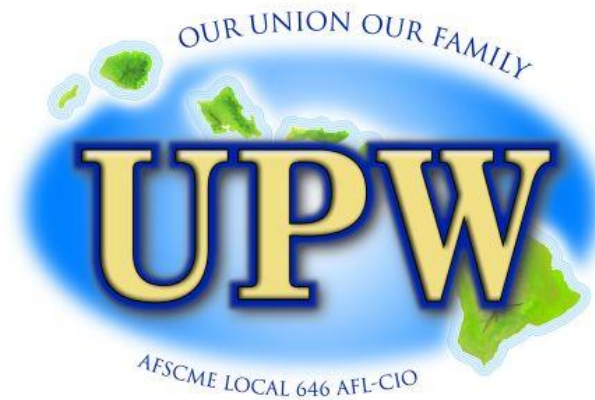
Fringe Benefits (additional funds of \$234,169 for FY 2019-2020 and FY 2020-2021). The fringe benefit rate is increasing from 59.08% in FY 2018-2019 to 60.08% in FY 2019-2020 and FY 2020-2021.

Salary Adjustments (additional funds of \$64,596 for FY 2019-2020 and FY 2020-2021). Act 145, Session Laws of Hawaii amended chapter 87A, Hawaii Revised Statutes to allow conversion of exempt EUTF employees to civil service at the discretion of the Board. The Board determined that 42 out of the existing 57 positions (8 positions were already civil service) at the time should be converted to civil service positions. Through February 16, 2019, 27 out of the 42 will be converted from exempt to civil service.

Compliance Officer Position (additional funds of \$110,812 for FY 2019-2020 and \$216,823 for FY 2020-2021). EUTF is subject to the provisions of the federal Health Insurance Portability and Accountability Act (HIPAA) to protect patient health information. EUTF is requesting a highly specialized expert to ensure EUTF compliance with HIPAA policies and procedures that include both physical and information technology security.

The EUTF Board believes that these additional funds are necessary for the continued and improved functions.

Thank you for the opportunity to testify.



THE HAWAII STATE HOUSE OF REPRESENTATIVES
The Thirtieth Legislature
Regular Session of 2019

Committee on Labor & Public Employment
Representative Aaron Ling Johanson, Chair
Representative Stacylynn K.M. Eli, Vice Chair

Date of Hearing: Tuesday, February 5, 2019
Time of Hearing: 8:30 a.m.
Place of Hearing: Conference Room 309

**TESTIMONY ON HB1345 RELATING TO THE HAWAII EMPLOYER UNION
HEALTH BENEFITS TRUST FUND BUDGET**

By DAYTON M. NAKANELUA,
State Director of the United Public Workers,
AFSCME Local 646, AFL-CIO ("UPW")

My name is Dayton M. Nakanelua and I am the State Director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). The UPW is the exclusive bargaining representative for approximately 14,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and four counties. The UPW also represents about 1,500 members in the private sector.

HB1345 appropriates funds for the operating budget for the EUTF Benefits Trust Fund for the fiscal biennium 2019-2021. The UPW supports this measure.

Thank you for the opportunity to submit this testimony.