



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 FINANCE
ON HOUSE BILL NO. 1358 H.D. 1

February 28, 2019
2:00 p.m.
Room 308

RELATING TO MEDICARE PART B

Chair Luke, Vice Chair Cullen, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees opposes this bill that would require EUTF to annually notify, by registered mail, retirees and their spouses if we do not receive income-adjusted Medicare Part B proof documents.

In fiscal year 2018, the EUTF reimbursed, on behalf of employers, retirees and their spouses Medicare Part B premiums including income-adjustments of almost \$80 million. Additionally, as of December 31, 2018 there were 53,177 Medicare retirees and spouses receiving Medicare Part B reimbursements. Retirees and their spouses who are eligible for Medicare Part B, in accordance with Section 87A-23, Hawaii Revised Statutes (HRS) and EUTF Administrative Rules (Rules), must enroll in Medicare Part B to be eligible for EUTF retiree medical and prescription drug coverage. The EUTF Medicare retiree medical and prescription drug plans benefit as the secondary payer

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.

after Medicare which is primary in paying medical claims or subsidies for Medicare Advantage and Medicare Part D (prescription drug) plans.

The Medicare retirees and spouses can be split up between those subject to – Group 1) income-adjusted Medicare Part B premiums (4,876 Medicare retirees and spouses) and Group 2) the standard monthly Medicare Part B premium (\$135.50 for 2019) or lower (48,301 Medicare retirees and spouses). Medicare retirees and spouses in Group 1 who earned more than \$85,000 (single filer) or \$170,000 (joint filers) in 2017 must pay an income-adjusted Medicare Part B premium of \$189.60 or up to \$460.50 in 2019. If the Medicare retiree or spouse submits proof of higher income-adjusted premiums, the EUTF will reimburse the income-adjusted amounts, limited to a two-year retroactive period (Rules section 5.03(c)(3)). Based on discussions with EUTF staff, since the rule went into effect August 18, 2014, they estimate less than five members who were not reimbursed past the two-year limit. The EUTF reminds these retirees to submit proof in the Winter and Spring ERS Holomua newsletter and in the Retiree Reference Guide that is mailed to all retirees annually. Additionally, retirees who are subject to income-adjustments normally remember to send their proof in when they receive their notice from the Social Security Administration of their new Social Security benefit (which includes the Medicare Part B premium that is deducted from their Social Security benefit) in November or December prior to the beginning of the new year. Requiring EUTF to annually send registered letters to those Medicare retirees and spouses who do not submit income-adjusted proof would be a heavy administrative burden on EUTF staff and could be costly (\$4.80 per registered letter). Additionally, it is unclear whether EUTF would have to send to all 53,177 Medicare retirees and spouse who do not submit proof or be limited to the previous year's Medicare retirees and

spouses subject to income-adjustments. In either case, EUTF staff would be sending registered letters to members who either were never or are no longer subject to income-adjustments.

Prior to 2017, Medicare retirees and spouses in Group 2 would be moved to the new standard Medicare Part B premium at the beginning of each new year. There was no need to require proof documents. However, beginning in 2017, Group 2 member Medicare Part B premiums varied as their Medicare Part B premium increases were limited to their increase in their Social Security benefit. As a result, to avoid over-reimbursing the Medicare retirees and spouse, EUTF required proof of Group 2's Medicare Part B premium amounts. Because of the confusion caused by this change, the EUTF Board has not limited retroactive reimbursements for Group 2 members.

The EUTF appreciates the House Labor Committee removing the original bill's amendments to section 87A-31(f), HRS which were not appropriate as this section relates to situations in which there is a valid claim including Medicare Part B premium reimbursements and EUTF cannot locate the individual or their estate (also known as unclaimed property) and not to situations where there is no valid claim under the HRS or Rules.

Thank you for the opportunity to testify.