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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 SENATE BILL NO. 1204 S.D. 2 H.D. 1

March 27, 2019
2:00 p.m.
Room 308

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFTIS TRUST FUND DEFINITIONS

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

The EUTF Board of Trustees strongly supports this Administration bill. This bill amends the definition of “dependent-beneficiary” and “employee-beneficiary” and ensures that chapter 87A-1, Hawaii Revised Statutes conforms to federal and state laws.

The first proposed change relates to dependent-beneficiaries. 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, the EUTF covers the surviving spouse and the surviving spouse’s dependent 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, they are no longer eligible for coverage. However, the surviving spouse is able to add children who are not the children of the deceased retiree or employee. 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 $769 per month, whereas the premium for two-party coverage is approximately $1,499 per month. That's a difference of $730 per month or $8,760 per year that the State or counties are paying. This additional cost is borne principally by the State and counties as 94% 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 second change this bill will accomplish is to provide coverage for surviving children of deceased retirees (currently no more than 12), when there is no surviving eligible parent, up to age 24, if a full-time student. Currently, coverage ends at age 19 regardless of full-time student status. This change will align coverage for this group of children with other dependent child criteria such as dental and vision coverage for active employee dependent children, surviving children of deceased active employees who are killed in the line of duty when there is no surviving eligible parent, and children of retirees and surviving spouses. The estimated cost to the employer is $9,228 per year based on self coverage for EUTF PPO medical, drug, dental and vision plans.

The last two changes are to ensure that the EUTF statute complies with federal and state laws. The change to comply with the federal Patient Protection and Affordable Care Act of 2010 (ACA) removes the requirement that a “child” be unmarried and live with the employee since ACA does not contain such requirements for coverage of children up to age 26 for active employee medical and prescription drug plans. The last change amends chapter 87A-1, Hawaii Revised Statute references to spouses to be consistent with chapter 572B, Hawaii Revised Statutes regarding civil unions.

Thank you for the opportunity to testify.