



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 SENATE COMMITTEE ON WAYS AND MEANS
ON SENATE BILL NO. 795

February 20, 2019
10:00 a.m.
Room 211

RELATING TO THE DEPARTMENT OF BUDGET AND FINANCE

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

The EUTF Board of Trustees strongly supports the EUTF additional budget requests included in this bill listed as Items No. 17-20 BUF143/EU.

The monies to fund these requests will come from EUTF Trust Fund reserves 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) that were charged to the employee, retiree and/or employer. 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. No EUTF administrative fee will

be added to the active employee and retiree premiums through December 31, 2028 and June 30, 2029, respectively.

Item. No. 17 Funds for New Benefits Adm System (FY 2019-2020 \$9,956,000 and 3.00 temporary positions and FY 2020-2021 \$367,167 and 3.00 temporary positions). 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 and more compatible with EUTF operations. 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. The 3.00 temporary positions (18-month terms) will be used to back fill the EUTF staff assigned to the project 100% of the time. Since these positions are only 18-month terms, they will not impact the pension and OPEB liabilities since employees need 10 years to vest in these benefits. The Board and EUTF staff believe that a new BAS will significantly benefit the members, departmental human resource personnel and EUTF staff through online self-service and other features by providing more information on the different benefit plans online, elimination of manual errors, and reduction in administrative tasks.

Item No. 18 Add One New Permanent Position to EUTF – Compliance Officer (FY 2019-2020 \$110,812 and FY 2020-2021 \$216,823). EUTF is subject to the provisions of the federal Health Insurance Portability and Accountability Act (HIPAA) to protect patient health information. HIPAA violations can run into the millions of dollars. EUTF requests a highly specialized expert to ensure EUTF compliance with HIPAA policies and procedures that include both physical and information technology security to protect the employers nearly \$3 billion in assets held by the EUTF in the OPEB Trust, Protected Health Information (PHI) of our nearly 200,000 members, weekly data transmissions of PHI to health care carriers, and cash transfers between the EUTF and financial institutions, employers, health care carriers and retirees.

Item No. 19 Add Funds for Civil Service Conversion (FY 2019-2020 and FY 2020-2021 \$64,596 each year). Act 145, Session Laws of Hawaii 2017 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 50 out of the existing 57 positions at the time should be civil service positions resulting in conversion of 42 employees to civil service (8 were already civil service positions). To date 23 of the 42 positions have been converted from exempt to civil service. The additional funds are necessary to pay the higher civil service salaries.

Item No. 20 Add Funds for Increase in Fringe Benefits (FY 2019-2020 and FY 2020-2021 \$234,169 each year). The fringe benefit rate is increasing from 55.48% (budgeted) in FY 2018-2019 to 60.08% in FY 2019-2020 and FY 2020-2021. The additional funds are necessary to fund the increase in the fringe benefit rate.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR



RODERICK K. BECKER
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

TESTIMONY BY RODERICK K. BECKER
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
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Senate Bill No. 795 appropriates funds for FY 2020 and FY 2021 for operating expenses of the Department of Budget and Finance (B&F).

The B&F appreciates that the additional funding requests for B&F that were included as part of the Executive Biennium Budget submittal are incorporated in S.B. 795, with the exception of the appropriation ceiling requests for FY 2020 and FY 2021 that pertains to the Mass Transit Special Fund. These requested appropriation ceilings for FY 2020 and FY 2021 are necessary to enable the transfer of funds from the Mass Transit Special Fund to the Honolulu Authority for Rapid Transit (HART) as authorized by Act 1, Special Legislative Session of 2017.

The B&F however, respectfully request your support in advancing S.B. 126 which represents the Executive Biennium Budget submittal for the FB 19-21 budget period in its entirety, including appropriations for Capital Improvement Projects and critical budget provisos items that are necessary for the effective operations of the State Executive Branch, instead of advancing this current measure.

Thank you for giving us an opportunity to testify on this bill.