LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

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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. 2103 HD1

February 23, 2022
2:00 p.m.
Via Videoconference

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND SPOUSAL MEDICARE PART B PREMIUM REIMBURSEMENT

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

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees strongly supports this bill. The EUTF Board believes that this change should have been made in 2001 when the State and counties (Employer) were no longer required to contribute to dependent healthcare premiums of retirees who began service after June 30, 2001. This bill is a reasonable long-term cost containment proposal that does not impact current retirees, vested former employees, and current employees.

The intent of this bill is to discontinue Employer reimbursement of Medicare Part B premiums for spouses of retirees with a hire date after June 30, 2022. Chapter 87A-23, Hawaii Revised Statutes (HRS) and EUTF Administrative Rules require that retirees and their dependents enroll in Medicare Part B, if eligible, to enroll in EUTF retiree medical and/or prescription drug plans. HRS 87A-23 and EUTF Administrative Rules also require that the Employers reimburse retirees and their spouses Medicare Part B premiums (standard monthly premium of $170.10 for 2022). The benefits from Medicare Part B (Medicare is the primary payor of claim costs) outweigh the cost of Medicare Part B premiums. Spouse Medicare Part B premium reimbursements are approximately 25% of the Employers and State's Medicare Part B premium reimbursements:

1. Fiscal year 2021, Employer Medicare Part B premium reimbursements amounted to $99.4 million ($78.2 million for the State).
2. As of July 1, 2021, Medicare Part B premium represented 24% ($3.7 billion) and 24% ($2.8 billion) of all Employer and State's actuarial accrued liabilities, respectively.

For retirees hired after June 30, 2001, the Employers do not contribute to the retiree's dependent healthcare premiums. The Legislature made this change to reduce future Employer retiree healthcare costs. At the time, it would have made sense to also eliminate the Employer reimbursement of the spouse’s Medicare Part B premiums since the Employers were no longer receiving the benefits of the spouse's Medicare Part B enrollment.

The EUTF’s actuary, Gabriel Roeder Smith & Company, estimated that this change would save the State $1.2 billion over the next 30 years in lower annual required contributions (ARC) as the cost of the retiree healthcare benefit (normal cost) will be lower for new hires from July 1, 2022. The savings from a lower ARC will be small at the onset but will grow as these new hires replace the higher benefit employees.

Thank you for the opportunity to testify.

HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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The Thirty-First Legislature, State of Hawaii
House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association

February 23, 2022

H.B. 2103, H.D. 1 – RELATING TO THE HAWAII EMPLOYER-UNION HEATH BENEFITS TRUST FUND SPOUSAL MEDICARE PART B PREMIUM REIMUBRSEMENT

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO would like to provide comments on H.B. 2103, H.D. 1 which removes the Medicare reimbursement for spouses of employee-beneficiaries hired after June 30, 2022.

While we appreciate that the proposed changes to Ch. 87A, Hawaii Revised Statutes will affect prospective employees hired after June 30, 2022, and fully recognize the long-term cost savings to the Employer-Union Health Benefits Trust Fund, it behooves us to comment on the continued, steady erosion of a once-envied retirement benefit package for career government employees. We have been sounding the alarm that without counter measures such as competitive salaries or workplace flexibility, these gradual reductions in benefits – coupled with astronomical health care costs – forecast a bleak future for your government workforce. It is unfortunate that it seems the future is here, as witnessed by the tremendous number of vacancies and the extreme difficulties government is facing in attracting capable employees to provide quality public service.

Policymakers must take a holistic approach: there needs to be balance between fiscal prudence and recruiting and retaining the best and the brightest employees, and our state's immediate needs and our future obligations.

Thank you for the opportunity to provide comments on H.B. 2103, H.D. 1.

Respectfully submitted,

Randy Perreira
Executive Director