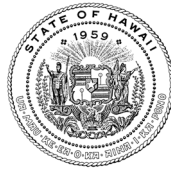


JOSH GREEN, M.D.  
GOVERNOR



**STATE OF HAWAII**  
**HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**  
201 MERCHANT STREET, SUITE 1700  
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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. 1314, SD 2**

**March 29, 2023**  
**2:00 p.m.**  
**Conference Room 308 & Videoconference**

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

Chair Yamashita, Vice Chair Kitagawa, 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, 2023. 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 be eligible for 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 \$164.90 for 2023). The benefits from Medicare Part B (Medicare is the

**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.

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 2022, Employer Medicare Part B premium reimbursements amounted to \$113.1 million (\$88.7 million for the State).
2. As of July 1, 2022, Medicare Part B premium represented 23% (\$3.5 billion) and 24% (\$2.7 billion) of all Employer and State's actuarial accrued liabilities, respectively.

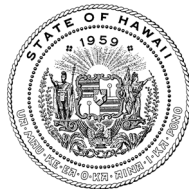
For retirees hired after June 30, 2001, the Employers do not contribute to the retiree's dependent healthcare premiums. The Legislature made this change to reduce future Employer retiree healthcare costs. At the time, it would have made sense to also eliminate the Employer reimbursement of the spouse's 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, 2023. The savings from a lower ARC will be small at the onset but will grow as these new hires replace the higher benefit employees.

Should the Committee decide to pass this bill and SB1315 SD2 Relating to the Hawaii Employer-Union Health Benefits Trust Fund Medicare Part B Premium Reimbursement, we respectively request that this bill be deferred with the contents being consolidated into SB1315 since certain provisions overlap.

Thank you for the opportunity to testify.

JOSH GREEN, M.D.  
GOVERNOR



LUIS P. SALAVERIA  
DIRECTOR

SABRINA NASIR  
DEPUTY DIRECTOR

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

STATE OF HAWAII  
DEPARTMENT OF BUDGET AND FINANCE  
*Ka 'Oihana Mālama Mo'ohelu a Kālā*  
P.O. BOX 150  
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ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT

**WRITTEN ONLY**

TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
SENATE BILL NO. 1314, S.D. 2

**March 29, 2023**  
**2:00 p.m.**  
**Room 308 and Videoconference**

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

The Department of Budget and Finance supports this Administration bill.

Senate Bill No. 1314, S.D. 2, amends Section 87A-23, HRS, to exclude spouses of employee-beneficiaries of the Hawai'i Employer-Union Health Benefits Trust Fund (EUTF) who are hired after June 30, 2023, from receiving Medicare Part B reimbursement payments, unless they themselves qualify as employee-beneficiaries.

The proposed amendment will reduce the annual required contributions for Other Post-Employment Benefits (OPEB) for the State, the counties, and other public employers. Medicare Part B premium reimbursements paid to the spouses of retirees are a significant cost to the State and totaled approximately \$24.5 million in FY 22. EUTF's actuary projects that this change in benefits will reduce the State's OPEB costs by about \$1.2 billion over the next 30 years, providing some additional flexibility in the State's budget to accelerate pre-funding of OPEB, allocate funds toward other priorities, or respond to economic downturns.

Thank you for your consideration of our comments.



STATE OF HAWAII ORGANIZATION OF POLICE OFFICERS  
" A Police Organization for Police Officers Only "  
Founded 1971

March 27, 2023

**VIA ONLINE**

The Honorable Kyle T. Yamashita  
Chair  
The Honorable Lisa Kitagawa  
Vice-Chair  
House Committee on Finance  
Hawaii State Capitol, Rooms 306, 435  
415 South Beretania Street  
Honolulu, HI 96813

Re: **SB 1314 SD2 – Relating to the Hawaii Employer-Union Health Benefits Trust Fund Spousal Medicare Part B Premium Reimbursement**

Dear Chair Yamashita, Vice-Chair Kitagawa, and Honorable Committee members:

I serve as the President of the State of Hawaii Organization of Police Officers (“SHOPO”) and write to you on behalf of our Union in **strong opposition** to SB 1314 SD2. This bill amends HRS § 87A-23 to exclude Medicare reimbursement by the State and counties for the spouses of retired employees hired after June 30, 2023.

As it currently stands, the State and counties reimburse retirees and their spouses Medicare Part B premiums, including spouses of retirees hired after June 30, 2001 under HRS § 87A-23. Pursuant to this bill, the State and counties would no longer reimburse Medicare for the spouses of retired employees hired after June 30, 2023. While current retirees and vested, terminated employees and current employees will not be impacted by this bill, all employees hired after June 30, 2023 will lose this valuable benefit of devoting a career to public service.

As you may know, our county police departments are experiencing a severe staffing crisis. The existing and already reduced retirement benefits for police officers do not attract a sufficient number of qualified police officer recruits, turnover is constant, new recruits enlist and then cannot make it through our training or they graduate and soon leave for other jurisdictions

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Wailuku, Hawaii 96793-1253  
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Fax: (808) 242-9519

The Honorable Kyle T. Yamashita, Chair  
The Honorable Lisa Kitagawa, Vice-Chair  
House Committee on Finance  
March 27, 2023

SHOPO Testimony Page 2

Re: **SB 1314 SD2 – Relating to the Hawaii Employer-Union Health Benefits Trust Fund Spousal Medicare Part B Premium Reimbursement**

that offer higher compensation and take our training with them and our most experienced officers, i.e., those who are eligible to retire, are exiting at the first opportunity. This bill may compound this crisis by potentially discouraging and disincentivizing individuals from becoming police officers, which in turn will further hinder the respective county departments' ability to recruit new officers. The simple fact is we should be making our retirement benefits more competitive as opposed to further dwindling away valued benefits from future employees otherwise we will continue to lose the hiring battle and lose officers to other jurisdictions that offer much greater and more attractive benefit packages.

We thank you for allowing us to be heard and to share our concerns on this bill and hope your committee will unanimously reject this bill.

Respectfully submitted,

ROBERT "BOBBY" CAVACO  
SHOPO President



**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**

AFSCME Local 152, AFL-CIO

**RANDY PERREIRA**, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

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

Testimony by  
Hawaii Government Employees Association

March 29, 2023

S.B. 1314, S.D. 2 — RELATING TO THE HAWAII  
EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
SPOUSAL MEDICARE PART B PREMIUM REIMBURSEMENT

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO would like to provide comments on S.B. 1314, S.D. 2, which removes the Medicare reimbursement for spouses of employee-beneficiaries hired after June 30, 2023.

While we appreciate that the proposed changes to Section 87A-23, Hawaii Revised Statutes will affect prospective employees hired after June 30, 2023, and fully recognize the long-term cost savings to the EUTF, we are concerned about the continued, steady erosion of the retirement benefit package for career government employees. These gradual reductions in benefits – coupled with the astronomical cost of health care – does not aid in the recruitment and retention of your government workforce.

Policymakers must take a comprehensive approach and find a balance between fiscal prudence, providing an attractive benefit package for the best and brightest employees, and our state's immediate needs and future obligations.

Thank you for the opportunity to provide comments on S.B. 1314, S.D. 2.

Respectfully submitted,

Randy Perreira  
Executive Director

**SB-1314-SD-2**

Submitted on: 3/27/2023 7:32:54 PM

Testimony for FIN on 3/29/2023 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Gerard Silva	Individual	Oppose	Written Testimony Only

Comments:

The County Plan States the Coverege is For Both ane it is Life Time. The County and the State better Honor there own plans or we will have no Choce Except to Take Legal Action!!!!