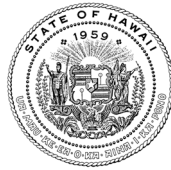


JOSH GREEN, M.D.
GOVERNOR



STATE OF HAWAII
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
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Toll Free 1(800) 295-0089
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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. 1315 SD2

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

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
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 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 income related monthly adjustment amounts (IRMAA) for higher income retirees (e.g., modified adjusted gross income of greater than \$97,000 for a single filer from their 2021 federal income tax return, income thresholds are indexed to inflation), hired after June 30, 2023, and their higher income spouses. 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. Medicare Part B premium reimbursements

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.

currently include the IRMAA but exclude penalties. The following are the 2023 standard (\$164.90) Medicare Part B premium and the premiums including the IRMAA additions:

Beneficiaries who file individual tax returns with income	Beneficiaries who file joint tax returns with income	2023
Less than or equal to \$97,000	Less than or equal to \$194,000	\$164.90
Greater than \$97,000 and less than or equal to \$123,000	Greater than \$194,000 and less than or equal to \$246,000	\$230.80
Greater than \$123,000 and less than or equal to \$153,000	Greater than \$246,000 and less than or equal to \$306,000	\$329.70
Greater than \$153,000 and less than or equal to \$183,000	Greater than \$306,000 and less than or equal to \$366,000	\$428.60
Greater than \$183,000 and less than \$500,000	Greater than \$366,000 and less than \$750,000	\$527.50
Greater than or equal to \$500,000	Greater than or equal to \$750,000	\$560.50

Eliminating the Medicare Part B IRMAA reimbursement is consistent with the current practice of Employers not reimbursing Medicare Part D (prescription drug) premiums which ranges from \$12.20 to \$76.40 for 2023 and is only assessed and collected by the Centers for Medicare and Medicaid Services on the same higher income retirees and spouses subject to the IRMAA.

The IRMAA is estimated to be \$8.5 million (\$6.2 million retirees and \$2.3 million spouses) for all employers in calendar year 2022.

EUTF staff estimate that this change would save the State \$430 million 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 SB1314 SD2 Relating to the Hawaii Employer-Union Health Benefits Trust Fund Spousal Medicare Part B Premium Reimbursement, we respectfully request that SB 1314 be included with this bill since certain provisions overlap. We included a draft consolidated SB1315 SD2 HD1.

Thank you for the opportunity to testify.

1 **"§87A-23 Health benefits plan supplemental to medicare.**

2 The board shall establish a health benefits plan, which takes
3 into account benefits available to an employee-beneficiary and
4 spouse under medicare, subject to the following conditions:

5 (1) There shall be no duplication of benefits payable
6 under medicare. The plan under this section, which
7 shall be secondary to medicare, when combined with
8 medicare and any other plan to which the health
9 benefits plan is subordinate under the National
10 Association of Insurance Commissioners' coordination
11 of benefit rules, shall provide benefits that
12 approximate those provided to a similarly situated
13 beneficiary not eligible for medicare;

14 (2) The State, through the department of budget and
15 finance, and the counties, through their respective
16 departments of finance, shall pay to the fund a
17 contribution equal to an amount not less than the
18 medicare part B premium, excluding medicare income
19 related monthly adjustment amounts for a retired
20 employee hired after June 30, 2023, for each of the
21 following who are enrolled in the medicare part B
22 medical insurance plan: (A) an employee-beneficiary
23 who is a retired employee, (B) [~~an employee-~~
24 ~~beneficiary's spouse~~] a spouse of an employee-

1 beneficiary who is a retired employee hired prior to
2 July 1, 2023, while the employee-beneficiary is
3 living, and (C) an employee-beneficiary's spouse,
4 after the death of the employee-beneficiary, if the
5 spouse qualifies as an employee-beneficiary. [~~For~~
6 ~~purposes of this section, a "retired employee" means~~
7 ~~retired members of the employees' retirement system;~~
8 ~~county pension system; or a police, firefighters, or~~
9 ~~bandsmen pension system of the State or a county as~~
10 ~~set forth in chapter 88.] If the amount reimbursed by~~
11 the fund under this section is less than the actual
12 cost of the medicare part B medical insurance plan,
13 excluding medicare income related monthly adjustment
14 amounts for a retired employee hired after June 30,
15 2023, due to an increase in the medicare part B
16 medical insurance plan rate, the fund shall reimburse
17 each employee-beneficiary and [~~employee-beneficiary's~~
18 ~~spouse~~] spouse of an employee-beneficiary who is a
19 retired employee hired prior to July 1, 2023 for the
20 cost increase within thirty days of the rate
21 change. Each employee-beneficiary and employee-
22 beneficiary's spouse who becomes entitled to
23 reimbursement from the fund for medicare part B
24 premiums after July 1, 2006, shall designate a

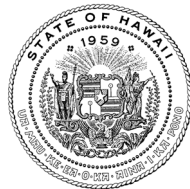
1 financial institution account into which the fund
2 shall be authorized to deposit reimbursements. This
3 method of payment may be waived by the fund if another
4 method is determined to be more appropriate[;]. For
5 purposes of this section, a "retired employee" means
6 retired members of the employees' retirement system;
7 county pension system; or a police, firefighters, or
8 bandsmen pension system of the State or a county as
9 set forth in chapter 88;

10 (3) The benefits available under this plan, when combined
11 with benefits available under medicare or any other
12 coverage or plan to which this plan is subordinate
13 under the National Association of Insurance
14 Commissioners' coordination of benefit rules, shall
15 approximate the benefits that would be provided to a
16 similarly situated employee-beneficiary not eligible
17 for medicare;

18 (4) All employee-beneficiaries or dependent-beneficiaries
19 who are eligible to enroll in the medicare part B
20 medical insurance plan shall enroll in that plan as a
21 condition of receiving contributions and participating
22 in benefits plans under this chapter. This paragraph
23 shall apply to retired employees, their spouses, and

1 the surviving spouses of deceased retirees and
2 employees killed in the performance of duty; and
3 (5) The board shall determine which of the employee-
4 beneficiaries and dependent-beneficiaries, who are not
5 enrolled in the medicare part B medical insurance
6 plan, may participate in the plans offered by the
7 fund.

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
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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. 1315, S.D. 2

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

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

The Department of Budget and Finance supports this Administration bill.

Senate Bill No. 1315, S.D. 2, amends Section 87A-23, HRS, to exclude retired employees who were hired after June 30, 2023, and their spouses from receiving Medicare income related monthly adjustment amounts (IRMAA) as part of their Medicare Part B reimbursement payments.

This bill will reduce the annual required contributions for Other Post-Employment Benefits (OPEB) for the State, the counties, and other public employers. Medicare IRMAAs are a significant cost to the State and totaled approximately \$8.5 million of the State's total Medicare Part B reimbursements in FY 22. The Hawai'i Employer-Union Health Benefits Trust Fund's actuary projects that this change in benefits will reduce the State's OPEB costs by about \$400 million 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 1315 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 1315 SD2. This bill amends HRS § 87A-23 to end Medicare part B income related monthly adjustment amounts (IRMAA) reimbursement by the State and counties for retired employees hired after June 30, 2023 and their spouses.

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

As you may know, our county police departments are experiencing a severe staffing crisis due in part to the consistent reduction in retirement benefits afforded to police officers. The existing and already reduced retirement benefits available to 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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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 1315 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 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 recruitment battle and the exodus of 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. 1315, S.D. 2 — RELATING TO THE HAWAII
EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
MEDICARE PART B PREMIUM REIMBURSEMENT

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO would like to provide comments on S.B. 1315, S.D. 2, which amends Section 87A-23, Hawaii Revised Statutes, to exclude Medicare income related monthly adjustment amounts reimbursement by the State and counties for retired employees hired after June 30, 2023, and their spouses.

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. 1315, S.D. 2.

Respectfully submitted,

Randy Perreira
Executive Director