

ACT 309

H.B. NO. 2452

A Bill for an Act Relating to the Public Employees' Health Fund.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The legislature finds that the present governance structure to determine and fund health benefits for public employees and retirees is not only cumbersome and inflexible, but does not foster cost-efficiency. Benefits are statutorily established and administered by an independent board of trustees within a fixed statutory framework. At the same time, public employer contributions for these health benefits are negotiated separately through collective bargaining agreements with public employee organizations. Consequently, there is little connection between benefit levels and costs, and limited latitude to design benefit packages that minimize costs and better meet the health care needs of employees.

The legislature further finds that public employers and public employee organizations should be involved in determining health care coverage and costs because health benefits have not only become a significant component of the total compensation package for public employees, but represent a significant cost to public employers. The employer-union trust concept for determining and administering health benefits provides a mechanism for linking benefit levels and costs, as well as the necessary flexibility to establish appropriate health benefits coverage.

The purpose of this Act is to:

- (1) Establish a timetable to proceed with the conversion to an employer-union trust concept for determining and administering public employee and retiree health benefits; and

- (2) Mandate that public employers and public employee organizations work together on this effort.

SECTION 2. The director of finance shall establish a committee comprised of representatives from state and county public employers and public employee organizations to develop and recommend a proposal to implement an employer-union trust concept for determining and administering public employee and retiree health benefits. The proposal shall include but not be limited to a suggested trust structure and necessary statutory changes to chapters 87 and 89, Hawaii Revised Statutes. The director of finance shall submit a report on the proposal to the legislature no later than twenty days prior to the convening of the regular session of 1997. The committee established by the director of finance shall be exempt from chapters 91, 92, and 92F, Hawaii Revised Statutes.

SECTION 3. This Act shall take effect upon its approval.

(Approved July 3, 1996.)