

ACT 89

S.B. NO. 1046

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 State and the counties face an unfunded liability for payment of health benefits for their public employees of a high of \$24,800,000,000 for 2013, as projected by the auditor in its 1999 *Actuarial Study and Operational Audit of the Hawaii Public Employees Health Fund*. Low and intermediate estimates are not much lower and range from \$7,900,000,000 to \$11,400,000,000. As of 1998, the unfunded liability for the public employees health fund had already reached a high of \$7,400,000,000 with low and intermediate projections of \$3,600,000,000 and \$4,500,000,000.

Currently, the system of providing health benefits to public employees operates by paying for benefits contracted for by the public employees health fund on a “pay as you go” basis, without any limits on cost. In the past, when health care costs were minimal and health benefits were not considered a significant component of an employee’s compensation, this was not an issue. However, as more advanced treatment, procedures, and medications are developed, their costs have also increased. Health benefits are now considered an extremely important part of an employee’s compensation precisely because health care now costs so much. In addition, as more employees begin to live longer and as they learn to demand to use more benefits, the system is proving unable to keep up. The reality is that the State and the counties will be unable to pay for health benefits for their employees in the future without seriously cutting from other portions of governmental budgets if no changes are made.

The legislature intends to address the issue of spiraling costs by instituting a ceiling on public expenditures for health benefits for public employees and retirees. To allow the public employees health fund to work within the employer’s fiscal limitations, this Act expressly provides the public employees health fund with greater flexibility to, among other things, determine the types of plans, the design of plans, and the delivery of plan services.

SECTION 2. Section 87-4.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

“(b) The State through the department of budget and finance and the several counties through their respective departments of finance shall pay to the fund a monthly contribution equal to one-half of the retired employee’s monthly Medicare or non-Medicare premium[;:

- (1) ~~For hospital, medical, and surgical benefits of a health benefits plan for each of their respective employee beneficiaries or their respective employee beneficiaries and their dependent beneficiaries enrolled under this section;~~

- (2) ~~For prescription drug benefits of a health benefits plan for each of their respective employee-beneficiaries or their respective employee-beneficiaries and their dependent-beneficiaries enrolled under this section;~~
- (3) ~~For vision care benefits of a health benefits plan for each of their respective employee-beneficiaries or their respective employee-beneficiaries and their dependent-beneficiaries enrolled under this section;~~ and
- (4) ~~For adult dental benefits of a health benefits plan for each of their respective employee-beneficiaries or their respective employee-beneficiaries and their spouses enrolled under this section.]~~ for the retired employee's health benefits plan or plans determined by the board pursuant to section 87-22.

If both husband and wife are employee-beneficiaries, the total contribution by the State or the appropriate county shall not exceed the monthly contribution of a family plan for both of them.”

SECTION 3. Section 87-4.5, Hawaii Revised Statutes, is amended by amending subsection (e) to read as follows:

“(e) For the purpose of this section, the retired employee’s monthly Medicare and non-Medicare premiums for the [~~hospital, medical, and surgical plan, the prescription drug plan, the vision care plan, and the adult dental plan~~] health benefits plan shall be established annually by the board and shall be equal to the [~~retired employee’s~~] Medicare and non-Medicare premiums for the [~~hospital, medical, and surgical plan, the prescription drug plan, the vision care plan, and the adult dental plan~~] health benefits plan contracted by the fund with the largest enrollments.”

SECTION 4. Section 87-4.6, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

“(c) The State, through the department of budget and finance and the several counties through their respective departments of finance, shall pay to the fund a monthly contribution equal to one-half of the retired employee’s monthly medicare or nonmedicare premium for the [~~following benefits~~] retired employee’s health benefits plan or plans determined by the board pursuant to section 87-22 for retired employees with ten or more years but fewer than fifteen years of service; seventy-five per cent of the retired employee’s monthly medicare or nonmedicare premium for the [~~following benefits~~] retired employee’s health benefits plan or plans determined by the board pursuant to section 87-22 for retired employees with at least fifteen but fewer than twenty-five years of service[:

- (1) ~~For hospital, medical, and surgical benefits of a health benefits plan for each of their respective employee-beneficiaries or their respective employee-beneficiaries and their dependent-beneficiaries enrolled under this section;~~
- (2) ~~For prescription drug benefits of a health benefits plan for each of their respective employee-beneficiaries or their respective employee-beneficiaries and their dependent-beneficiaries enrolled under this section;~~
- (3) ~~For vision care benefits of a health benefits plan for each of their respective employee-beneficiaries or their respective employee-beneficiaries and their dependent-beneficiaries enrolled under this section;~~ and
- (4) ~~For adult dental benefits of a health benefits plan for each of their respective employee-beneficiaries or their respective employee-beneficiaries and their spouses enrolled under this section].~~

If both husband and wife are employee-beneficiaries, the total contribution by the State or the appropriate county, after an employee’s retirement pursuant to

this section, shall not exceed the monthly contribution of a family plan for both of them.”

SECTION 5. Section 87-4.6, Hawaii Revised Statutes, is amended by amending subsection (f) to read as follows:

“(f) For the purpose of this section, the retired employee’s monthly medicare and nonmedicare premiums for the ~~[hospital, medical, and surgical plan, the prescription drug plan, the vision care plan, and the adult dental plan]~~ health benefits plan shall be established annually by the board and shall be equal to the ~~[retired employee’s]~~ medicare and nonmedicare premiums for the ~~[hospital, medical, and surgical plan, the prescription drug plan, the vision care plan, and the adult dental plan]~~ health benefits plan contracted by the fund with the largest enrollments.”

SECTION 6. Section 87-22, Hawaii Revised Statutes, is amended to read as follows:

“**§87-22 Determine health benefits plan; contract with carriers.** (a) ~~[The]~~ Notwithstanding any provision of this chapter to the contrary, the board of trustees shall determine the health benefits plan or plans, including but not limited to the type of plans to be made available, which shall be excepted from the minimum group requirements of chapter 431[-. The health benefits plan or plans shall provide, pay for, arrange for, or reimburse the cost of hospitalization, surgery, medical, dental treatment, and care, and may include prescribed drugs, medicines, prosthetic appliances, hospital in-patient and out-patient service benefits, vision treatment and care, medical, and dental benefits-], the design of the plans, and the delivery of plan services.

(b) ~~The board may contract for [the following]¹ health benefits plans; provided that benefits provided under any respective plan shall be equally available to all employee-beneficiaries and dependent-beneficiaries selecting the plan regardless of age, as provided for below-], including but not limited to:~~

- (1) An indemnity benefit plan or plans under which a carrier agrees to pay certain sums of money not in excess of the actual expenses incurred for health services;
- (2) A service benefit plan or plans under which payment is made by a carrier under contracts with physicians, hospitals, or other providers of health services or, under certain conditions, payment is made by a carrier to an employee-beneficiary;
- (3) Health maintenance organization plans, which provide or arrange health services for members on a prepaid basis, with professional services provided by physicians practicing individually or as a group in a common center or centers;
- (4) Plans to offer dental benefits through an indemnity plan or plans, a service benefit plan or plans, dental maintenance organization plans, or combinations thereof;
- (5) Plans to offer prescription drug benefits through an indemnity plan or plans, a service benefit plan or plans, health maintenance organization plans, or combinations thereof;
- (6) Plans to offer vision care benefits through an indemnity plan or plans, a service benefit plan or plans, health maintenance organization plans, or combinations thereof; or
- (7) A noninsured schedule of benefits similar to any of the schedule of benefits set forth in the health benefits plans authorized in paragraphs (1) to (6).”

SECTION 7. Section 87-27, Hawaii Revised Statutes, is amended to read as follows:

“**§87-27 Supplemental plan to federal Medicare.** Any other provision of this chapter notwithstanding, the board of trustees shall establish, effective July 1, 1966, a health benefits plan which takes into account benefits available to an employee-beneficiary and spouse under the federal Medicare plan, subject to the following conditions:

- (1) There shall be no duplication of benefits payable under federal Medicare but the plan so established by the board shall be supplemental to the federal Medicare plan;
- (2) The contribution for voluntary medical insurance coverage under federal Medicare ~~[may be paid by the fund, in such manner as the board shall specify, in the case of]~~ shall be equal to a monthly contribution of \$50 a month, or the federal Medicare plan rate, whichever is less for an employee-beneficiary who is a retired employee, and spouse while the employee-beneficiary is living, including members of the old pension system and after death the employee-beneficiary's spouse provided the spouse qualifies as an employee-beneficiary; provided that the counties, through their respective departments of finance, shall reimburse the fund for any contributions made for county employee-beneficiaries under this paragraph;
- (3) The benefits available under the plan, when taken together with the benefits available under the federal Medicare plan, as nearly as is possible, shall ~~[approximate]~~ be comparable to the benefits available ~~[under the plans set forth in section 87-22.]~~ to employee-beneficiaries and spouses who are not eligible for the federal Medicare plan. If, for any reason, a situation develops where the benefits available under the supplemental plan and the federal Medicare plan substantially differ from those that would otherwise be available, the board may correct this inequity to assure substantial equality of benefits;
- (4) Notwithstanding any other law to the contrary, all employee-beneficiaries or dependent-beneficiaries who are eligible to enroll in the federal Medicare Part B medical insurance plan shall enroll in that federal plan as a requirement to receive the contributions and to participate in the employee benefit plans described in this chapter. This paragraph shall pertain to retired employees and their spouses and the surviving spouses of deceased retirees and employees killed in the performance of duty; and
- (5) The board of trustees shall determine which employee-beneficiaries and dependent-beneficiaries, who are not enrolled in the federal Medicare Part B medical insurance plan, may participate in such other plans as are set forth in section 87-22.”

SECTION 8. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 9. This Act shall take effect on July 1, 2001.

(Approved May 3, 2001.)

Note

1. So in original.