

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
ON  
HOUSE BILL NO. 2102

February 7, 2012

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST  
FUND

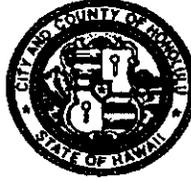
House Bill No. 2102 eliminates Medicare Part B reimbursements for employee-beneficiaries and spouses of employee-beneficiaries hired after June 30, 2012.

The Department of Budget and Finance supports this measure because eliminating the reimbursement is one way of containing the ever-increasing cost of retiree health benefits paid by State and county employers; thus, reducing the burden on taxpayers. For the quarter ending June 30, 2011, there were 23,646 State retirees and 7,642 spouses receiving \$9,241,092 in Medicare Part B reimbursements. For the quarter ending March 31, 2012, it is projected that the amount of State retirees will increase to 23,975 and spouses will increase to 7,742. These projected increases in members and spouses will increase the Medicare Part B reimbursements to \$9,631,215 for the quarter.

This measure is a step forward in addressing the State's \$14 billion dollar unfunded liability for Other-Post-Employment-Benefits (OPEB) and facilitating the sustainability of benefits under the Hawaii Employer-Union Health Benefits Trust Fund.

DEPARTMENT OF BUDGET & FISCAL SERVICES  
**CITY AND COUNTY OF HONOLULU**  
530 SOUTH KING STREET 2<sup>ND</sup> FLOOR • HONOLULU, HAWAII 96813  
TELEPHONE: (808) 768-3900 • FAX: (808) 768-3179 • INTERNET: [www.honolulu.gov/hr](http://www.honolulu.gov/hr)

PETER B. CARLISLE  
MAYOR



MICHAEL R. HANSEN  
DIRECTOR

February 7, 2011

The Honorable Karl Rhoads, Chair  
and Members of the Committee on Labor and  
Public Employment  
The House of Representatives  
State Capitol  
Honolulu, Hawaii 96813

Dear Chair Rhoads and Members:

Subject: House Bill 2102  
Relating to the Hawaii Employer-Union Health Benefits Trust Fund

The City and County of Honolulu supports House Bill 2102 which will eliminate the Medicare Part B reimbursement for employees hired after June 30, 2012 and their spouses

In the past fiscal year the City's cost for the Medicare Part B reimbursement was \$6.5 million. Although we know the savings from this bill will not be realized for many years, we believe it is important to take this action now to reduced future costs.

We realize this is a difficult issue that may touch many lives, but we also know that benefit costs overall have become unsustainable and tough decisions have to be made today so that even more drastic measures are not needed in the future.

Thank you for the opportunity to testify on House Bill 2102.

Yours truly,

Handwritten signature of Michael R. Hansen in black ink.

Michael R. Hansen, Director  
Department of Budget & Fiscal Services

Handwritten signature of Noel T. Ono in black ink.

Noel T. Ono, Director  
Department of Human Resources



1200 Ala Kapuna Street, Honolulu, Hawaii 96819  
 Tel: (808) 833-2711 x Fax: (808) 839-7106 x Web: www.hsta.org

**Wil Okabe**  
 President  
**Karolyn Moseman**  
 Vice President  
**Joan Kamila Lewis**  
 Secretary-Treasurer  
**Alvin Nagasako**  
 Executive Director

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON  
 LABOR AND PUBLIC EMPLOYMENT**

**RE: HB 2102 -- RELATING TO THE HAWAII EMPLOYER-UNION HEALTH  
 BENEFITS TRUST FUND**

**TUESDAY, FEBRUARY 7, 2012**

**WIL OKABE, PRESIDENT  
 HAWAII STATE TEACHERS ASSOCIATION**

Chair Rhoads and Members of the Committee:

The Hawaii State Teachers Association strongly opposes HB 2102 eliminating Medicare Part B reimbursements for employee-beneficiaries and spouses of employee-beneficiaries hired after June 30, 2012. This would become effective July 1, 2012.

Teachers have had to take pay-cuts, increases to their health care benefit costs and decreases in pension benefits. With continued actions against teachers we are very concerned this will harm our State's ability to recruit and retain a quality teaching cadre. State employees, including teachers, rely on their future benefits for themselves and their families and often come in at a lower rate of pay. If benefits are further eroded then what financial incentive will there be to teach? Teachers come into the classroom because they want to make a difference and our State must acknowledge their value.

Thank you for the opportunity to testify.



House Committee on Labor & Public Employment  
Tuesday, February 7, 2012  
9:30 a.m.

**HB 2102, Relating to the Hawaii Employer-Union Health Benefits Trust Fund.**

Dear Chairman Rhoads and Committee Members:

On behalf of the University of Hawaii Professional Assembly (UHPA), our union is opposed to any reduction in the benefits received through either the Employees Retirement System or Hawaii Employer-Union Health Benefits Trust Fund after the initial hire date of any public employee. We note that HB 2102 applies to new employee beneficiaries or the spouse after June 30, 2012, thus not having a retroactive effect on any current employee. However, we are steadily moving in the direction of reducing the benefits for new employees, whether they be retirement pensions, the proportion of health insurance being paid by active employees, or the benefits to employees and their spouses granted through the Employee Retirement System. These reductions ultimately will have an impact on the ability of the county, the state, the Department of Education, the state hospital corporation and the University of Hawaii to hire new employees. At the same time we are reducing benefits, we are also not increasing salaries. And to spite the economic downturn on the mainland, Hawaii lags behind other states in the total compensation being paid to faculty, teachers, staff and civil service employees. Everything has a consequence and ultimately the consequences of this decision will be felt by our state.

Respectively submitted,

J.N. Musto, Ph.D  
Executive Director

UNIVERSITY OF HAWAII  
PROFESSIONAL ASSEMBLY

1017 Palm Drive · Honolulu, Hawaii 96814-1928  
Telephone: (808) 593-2157 · Facsimile: (808) 593-2160  
Web Page: <http://www.uhpa.org>





RETIREES UNIT  
888 Mililani Street, Suite 601  
Honolulu, Hawaii 96813-2991

Telephone: 808.543.0054  
Facsimile: 808.523.6879

www.hgea.org

The Twenty-Sixth Legislature, State of Hawaii  
House of Representatives  
Committee on Labor and Public Employment  
Testimony by  
Hawaii Government Employees Association

February 7, 2012

H.B. 2102 - RELATING TO THE HAWAII EMPLOYER -  
UNION HEALTH BENEFITS TRUST FUND

The Hawaii Government Employees Association AFSCME Local 152, AFL-CIO strongly opposes the purpose and intent of H.B.2102, which would eliminate Medicare Part B reimbursements and allow the employers to lower retiree medical benefits for employee beneficiaries and spouses of employee-beneficiaries hired after June 30, 2012.

Medicare was established in 1965 by the federal government to provide health insurance for people 65 years of age or older. Medicare Part B was established to address medical insurance for home doctor's services, outpatient care, durable medical equipment, home health services and other medical services. Medicare Part B enrollees are charged a monthly premium which is updated by the Center for Medicare and Medicaid Services each year. To access the benefits provided by Medicare, in 1966 the Public Employee Health Fund (Health Fund), the predecessor to the Hawaii Employer Union Health Benefits Trust Fund (the EUTF), required that all Medicare eligible employee and dependent beneficiaries (retirees and their dependents, collectively Medicare retirees) enroll in Medicare Part B. This requirement resulted in significant costs savings to the State and counties as Medicare Part B became the primary insurance provider and the Health Fund and subsequently the EUTF plans became the secondary insurance provider for Medicare retirees. Additionally, in fairness to the Medicare retirees as their benefits were not improved or enhanced with this new requirement, the State and counties assumed responsibility for the Medicare Part B premiums through reimbursement to the Medicare retirees.

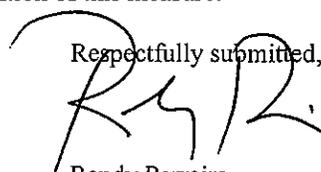
The cost savings provided by the coordination of benefits with Medicare continues today through the EUTF Medicare retiree medical plans. For example, the following is a comparison between the medical premiums effective January 1, 2012 for individual non Medicare retirees versus individual Medicare retirees under the most prevalent plan, the HMSA 90/10 PPO plan:

	Non-Medicare Retiree	Medicare Retiree
Monthly premium	\$381.36	\$178.00
Monthly Medicare Part B premium	None	\$99.90
Total	<u>\$381.36</u>	<u>\$277.90</u>

The difference of \$103.46 per month per Medicare retiree displays the positive impact of requiring Medicare retirees to enroll in Medicare Part B. In addition, this analysis likely understates the positive impact because as retirees age they are more likely to have higher medical claims.

This continued reduction of the benefits of public employment will have significant negative impact to the community as the State and counties will find it even more difficult to recruit and retain qualified, dedicated public employees. We strongly urge the committee to oppose this bill so detrimental to the future of our state.

Thank you for the opportunity to provide testimony in opposition of this measure.

Respectfully submitted,  
  
Randy Perreira  
Executive Director



---

46-063 Emepela Pl. #U101 Kaneohe, HI 96744 · (808) 679-7454 · Kris Coffield · Co-founder/Legislative Director

---

**TESTIMONY FOR HOUSE BILL 2102, RELATING TO EUTF**

**House Committee on Labor and Public Employment**

**Hon. Karl Rhoads, Chair**

**Hon. Kyle T. Yamashita, Vice Chair**

**Tuesday, February 7, 2012, 9:30 AM**

**State Capitol, Conference Room 309**

Honorable Chair Rhoads and committee members:

I am Kris Coffield, representing the IMU Alliance, a nonpartisan political advocacy organization that currently boasts over 150 local members. On behalf of our members, we offer this testimony in opposition to HB 2102, relating to the Hawaii Employer-Union Health Benefits Trust Fund.

While the IMU Alliance understands and supports the state's attempt to constrain projected budget shortfalls by controlling benefit costs, state sanctioned entitlements, such as Medicare Part B reimbursements, help to attract the best and brightest minds into public service professions—including teaching, social welfare, and government administration—at a time when MoneyRates.com estimates the adjusted-average income of Hawaii to be \$22,107.96, more than \$7,000 behind Maine, the next-to-last state the list. Since the Department of Business, Economic Development, and Tourism has estimated a consumer price index increase of approximately 3 percent for 2012, protecting health-related entitlements for future state workers ensures the viability of Hawaii's government sector in the face of of cumbersome cost-of-living escalations, purchasing power decreases, and wage stagnation. Rather than strip future state employees of the capacity to accrue benefits, we urge lawmakers to pass revenue generating measures and modest tax increases to offset future budget deficits.

Mahalo for the opportunity to testify in opposition to HB 2102.

Sincerely,  
Kris Coffield  
*Legislative Director*  
IMU Alliance