

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR
ON
SENATE BILL NO. 867

February 11, 2013

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST
FUND

Senate Bill No. 867 repeals provisions relating to the base monthly contributions for health benefit plans paid by the State and counties for retired employees, and repeals the requirement that the base composite monthly contribution shall be adjusted annually and the method of calculation.

The Department of Budget and Finance strongly opposes this measure. First, the base monthly contribution formula provides an upper threshold parameter for the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees in determining health benefits plan designs and benefits for State/county retirees. Cost is a significant consideration in the design of a health benefit plan and removing the upper threshold parameter could lead to development of health benefit plans for retirees that are unsustainable. It should be noted that collective bargaining of public employer EUTF contributions serves as the comparable upper threshold parameter for active State/county employees.

Second, the base monthly contribution formula for State/county retirees is one of the factors used by the actuary determining the unfunded other post-employment benefit (OPEB) liability of the EUTF. Repealing the base monthly contribution formula could result in an increase of the EUTF unfunded OPEB liability, which is currently \$16.3 billion for all State/county jurisdictions -- the State's portion of the unfunded OPEB liability is \$13.6 billion.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

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The Twenty-Seventh Legislature, State of Hawaii
The Senate
Committee on Judiciary and Labor

Testimony by
Hawaii Government Employees Association
February 11, 2013

S.B. 867 Relating to Employer-Union Health Benefits Trust Fund

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports passage of S.B. 867 which repeals specific monetary amount of employer contributions to the EUTF for each enrolled employee beneficiary.

The Hawaii Supreme Court held that "health benefits for retired state and county employees constitutes 'accrued benefits' pursuant to article XVI Section 2 of the Hawaii Constitution." This means that the Hawaii Constitution prohibits the Legislature from passing any bill that diminishes or impairs retirees' health or pension benefits already earned.

Public employees currently pay a share of the cost of health premiums for health benefits. In retirement, retired state and county employees receive a base monthly contribution health premium benefit depending on their hire date. In other words, there is a "cap" on the amount the employers will pay for medical, prescription drug, dental, and vision premiums. The cap has not been an issue since its inception on July 1, 2003 through June 30, 2012. However on July 1, 2012, one carrier exceeded the base monthly contribution premium for non-Medicare retirees. The following is the impact to non-Medicare retirees had the carrier not lowered their premium:

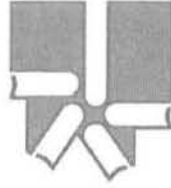
	Health Premium	Cap Rate	Difference
Single	\$693.80	\$668.12	\$25.68
2 party	\$1,353.52	\$1,346.68	\$6.84
Family	\$1,990.16	\$1,971.04	\$19.12

The last column represents the out-of-pocket cost to the non-Medicare retiree which diminishes the 'accrued' retirees' health benefit, in direct conflict of article XVI, Section 2, of the Hawaii Constitution. Let us not forget the promise, the social and moral obligation to State and County employees of free health insurance benefits upon retirement.

HGEA strongly supports S.B. 867 and urges your committee to pass this measure. Thank you for the opportunity to testify.

Respectfully submitted,


Randy Perreira,
Executive Director



Senate Committee on Judiciary and Labor
Monday, February 11, 2013
10:00 a.m.

SB 867, Relating to the Hawaii Employer-Union Health Benefits Trust Fund.

Dear Chairman Hee and Committee Members:

The University of Hawaii Professional Assembly supports passage of SB 867. It is important that retirees have the protection needed to address the rise in health care premiums. Currently, the employers of state and county retired employees are obligated to pay a certain amount of the monthly health care premium. This monthly contribution has a "cap" which has now been exceeded by one insurance provider for non-Medicare retirees. In the interest of ensuring that there is no diminution in the accrued benefits of retired employees, it is important to eliminate the "cap" through the repeal of that provision in current statute.

UHPA encourages the Committee to support passage of SB 867.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Kristeen Hanselman".

Kristeen Hanselman
Associate Executive Director

UNIVERSITY OF HAWAII
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