



**STATE OF HAWAII**  
**HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**  
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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 HOUSE BILL NO. 468 H.D. 1

**February 25, 2021**  
**12:00 p.m.**  
**Via Videoconference**

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Chair Luke, Vice Chair Cullen, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees has not taken a position on this bill. However, EUTF staff would like to provide information and comments.

The intent of this bill is to discontinue State and county (Employer) reimbursement of Medicare Part B premiums for spouses of retirees with a hire date on or after July 1, 2021. Chapter 87A-23, Hawaii Revised Statutes (HRS) requires that retirees and their dependents enroll in Medicare Part B, if eligible, in order to be eligible for EUTF retiree medical and/or prescription drug plans. HRS 87A-23 also requires that the Employers reimburse retirees and their spouses Medicare Part B premiums (standard \$148.50 per month for 2021). The payments or subsidies under Medicare Part B that reduce EUTF retiree claim costs are greater than the monthly Medicare Part B premiums. Fiscal year 2020 total Employer Medicare Part B premium reimbursements amounted to \$92.4 million (\$72.9 million for the State) of which approximately a quarter related to spouses.

**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.

The Employers do not contribute to the EUTF retiree health care premiums of a retiree's dependents if the retiree was hired on or after June 30, 2001. The Legislature made this change to reduce future Employer costs of the retiree health care benefit. At the time, it would have made sense to also eliminate the Employer reimbursement of the spouse's Medicare Part B premiums since the Employers were no longer receiving the benefits of Medicare Part B enrollment through lower health premiums.

The EUTF's actuary, Gabriel Roeder Smith & Company, estimated that this change would save the State \$1.2 billion over the next 30 years in lower annual required contributions (ARC) as the cost of the retiree health care benefit (normal cost) will be lower for new hires from July 1, 2021. The savings from a lower ARC will be small at the onset but will continue to grow as these new hires replace the higher benefit employees.

Should the suspension of Act 268, 2013 Session Laws of Hawaii (HB933/SB1087) for fiscal years 2022-2025 pass, resulting in higher future ARC payments (\$4.1 billion fiscal year 2021 – 2055), passage of this bill will offset those future higher ARC payments.

Thank you for the opportunity to testify.

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
DIRECTOR

ROBERT YU  
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**  
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ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**WRITTEN ONLY**  
TESTIMONY BY CRAIG K. HIRAI  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 468, H.D. 1

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FUND

The Department of Budget and Finance supports House Bill (H.B.) No. 468,  
H.D. 1.

H.B. No. 468, H.D. 1, amends Section 87A-23, HRS, to remove Hawaii  
Employer-Union Health Benefits Trust Fund (EUTF) Medicare Part B premium  
reimbursements for the spouse of an employee-beneficiary who is hired on or after  
July 1, 2021.

Section 87A-23, HRS, currently provides for Medicare Part B premium  
reimbursements for the spouse of an employee-beneficiary while the  
employee-beneficiary is living. The removal of reimbursement eligibility for the affected  
group of people will limit the financial obligations of the public employers who are  
required to pay the EUTF to cover the cost of the reimbursed premiums and help to  
reduce the EUTF's unfunded actuarial accrued liability over time.

Thank you for your consideration of our comments.



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## TESTIMONY BEFORE THE HOUSE COMMITTEE ON FINANCE

RE: HB 468, HD1 - RELATING TO THE HAWAII EMPLOYER-UNION  
HEALTH BENEFITS TRUST FUND

THURSDAY, FEBRUARY 25, 2021

WILBERT HOLCK, EXECUTIVE DIRECTOR  
HAWAII STATE TEACHERS ASSOCIATION

Chair Luke and Members of the Committee:

The Hawaii State Teachers Association **opposes HB 468, HD1**, relating to the Hawaii Employer-Union Health Benefits Trust Fund. This bill removes Medicare Part B reimbursement for spouses of employee-beneficiaries hired on or after 7/1/2021. Effective 12/25/2040. (HD1)

The Hawaii State Teachers Association is extremely concerned about the diminishing current benefits for prospective employees. One of the reasons people seek state jobs has been the benefits they and their families receive, including when they retire. We have already seen the ability to fully vest for retirement go from 10 years to 25 years. Now this bill would eliminate benefits for new hires from 7/1/21.

To protect our state worker's benefits, including new hires, the Hawaii State Teachers Association asks your committee to **oppose** this bill.