

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
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

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 LABOR & TOURISM
ON
HOUSE BILL NO. 468

February 16, 2021
9:00 a.m.
Room 312

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST
FUND

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

H.B. No. 468 amends Section 87A-23, HRS, to remove Hawai'i 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.



STATE OF HAWAII
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
201 MERCHANT STREET, SUITE 1700
HONOLULU, HAWAII 96813
Oahu (808) 586-7390
Toll Free 1(800) 295-0089
www.eutf.hawaii.gov

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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 LABOR & TOURISM
ON HOUSE BILL NO. 468

February 16, 2021
9:00 a.m.
Via Videoconference

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Chair Onishi, Vice Chair Sayama, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees has not been able to take a position on this bill. The Board is meeting at the time of this hearing. 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.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Thirty-First Legislature, State of Hawaii
House of Representatives
Committee on Labor and Tourism

Testimony by
Hawaii Government Employees Association

February 16, 2021

H.B. 468 – RELATING TO THE HAWAII EMPLOYER-
UNION HEALTH BENEFITS TRUST FUND

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO would like to provide comments on H.B. 468 which removes the Medicare part B reimbursement for spouses of employee-beneficiaries hired on or after July 1, 2021.

While we appreciate that the proposed changes to Ch. 87A, Hawaii Revised Statutes will affect prospective employees hired on or after July 1, 2021 and fully recognize the long-term cost savings to the Employer-Union Health Benefits Trust Fund, it behooves us to comment on the continued, steady erosion of a once-envied retirement benefit package for career government employees. Without counter measures such as competitive salaries or workplace flexibility, these gradual reductions in benefits, coupled with astronomical health care costs, forecast a bleak future for your government workforce.

Policymakers must take a holistic approach: there needs to be balance between fiscal prudence and recruiting and retaining the best and the brightest employees, and our state's immediate needs and our future obligations.

Thank you for the opportunity to provide comments on H.B. 468.

Respectfully submitted,

Randy Perreira
Executive Director