



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-FIFTH LEGISLATURE, 2010**

ON THE FOLLOWING MEASURE:

S.B. NO. 2884, S.D. 1, MAKING AN APPROPRIATION FOR COLLECTIVE BARGAINING COST ITEMS.

BEFORE THE:

SENATE COMMITTEE ON WAYS AND MEANS

DATE: Tuesday, February 23, 2010 **TIME:** 10:10 a.m.

LOCATION: State Capitol, Room 211

TESTIFIER(S): WRITTEN COMMENTS ONLY. For more information, call Maria C. Cook, Deputy Attorney General, at 587-2900.

Chair Kim and Members of the Committee:

The Department of the Attorney General opposes this bill because it is contrary to section 87A-32, Hawaii Revised Statutes (HRS).

The purpose of this bill is to require the employer to contribute to the Employer-Union Health Benefits Trust Fund (EUTF), sixty percent of the health premiums for the employees in collective bargaining unit (10) for fiscal biennium 2009-2011.

The bill is contrary to the language of section 87A-32(a)(1), HRS, which specifically mandates that the monthly contribution specified in the collective bargaining agreement "shall be a specified dollar amount," and not a percentage amount.

Further, the effective date of the bill is problematic. The bill takes effect on July 1, 2010. However, the bill seeks appropriation not only for fiscal year 2010-2011, but also for fiscal year 2009-2010. Section 7 of the bill states that funds appropriated that are not expended or encumbered by June 30, 2010, and June 30, 2011, of the respective fiscal years, shall lapse as of those dates. Thus, the fiscal year 2009-2010

appropriation will lapse on June 30, 2010, before the bill takes effect.

We respectfully ask the Committee to hold this bill in its current form.

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2884, S.D. 1

February 23, 2010

MAKING AN APPROPRIATION FOR COLLECTIVE BARGAINING COST ITEMS

Senate Bill No. 2884, S.D. 1, provides for the employer to pay 60% of the Hawaii Employer-Union Trust Fund (EUTF) premiums, except for \$4.16 for 100% of the premiums and administrative fees for group life insurance for the employees in collective bargaining unit 10 for Fiscal Years 2009-2010 and 2010-2011. Appropriations are provided, but the amounts are blank.

We have the following concerns with this measure: 1) the measure does not comply with Section 87A-32, Hawaii Revised Statutes, which requires the monthly contributions be a specified dollar amount; 2) the measure does not specify who will pay the administrative fees (except for life insurance); 3) the Hawaii Government Employees Association (HGEA) and the State entered into a Letter of Understanding that provides for the same employer contributions as Fiscal Year 2008-2009 for Fiscal Year 2009-2010 for the State. While we are still advocating the same contribution as Fiscal Year 2008-2009 for both Fiscal Year 2009-2010 and 2010-2011, bargaining unit 10 should not receive a higher contribution than the HGEA bargaining units (2, 3, 4, 6, 8, 9, and 13); and 4) the current fiscal situation of the State does not allow for funding of this measure.

If the State continues to pay 100% of administrative fees, it is estimated this proposal will cost \$1.7 million in Fiscal Year 2009-2010 and \$1.7 million in Fiscal Year 2010-2011 for the bargaining unit 10. Extending the provisions of this measure to all State employees (this extension would be automatic for bargaining unit 7, due to contract provisions) would cost an estimated \$27.4 million in Fiscal Year 2009-2010 and \$27.4 million in Fiscal Year 2010-2011. We are awaiting opening enrollment data from EUTF in order to update these estimates.

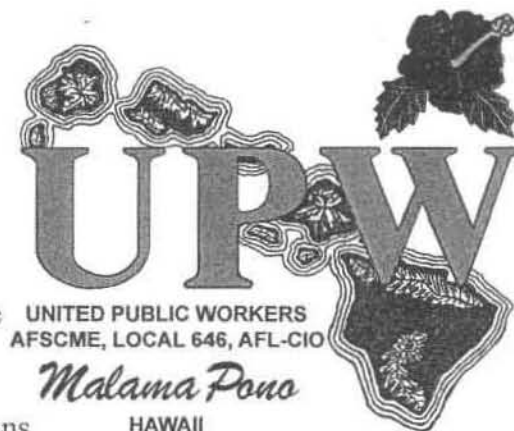
The State's position has been to continue to pay contributions of the same dollar amount as Fiscal Year 2008-2009. A letter reflecting this position, including current contribution amounts, has been submitted to President Hanabusa. Currently, the State is paying between 44% (HMSA HMO) and 65% (HMSA HDHP) (see attached) of the medical plan costs. The State pays approximately 50% of the cost of a bundle of the most popular medical with drug, vision, dental, and life.

Attachment

EUTF Employer Share FY 10 Final - Based on FY 09 Employer Contribution Amounts - Unbundled Drug All Except Units 7, 11, and 12

Benefit Plan		Total			Employer			Employer Total	% Prem Employer	% Total Employer	Employee	% Total Employee	% Total Employee
		Premium	Admin	Total	Premium	Admin Fee	Total Employer						
<u>EUTF HMA PPO (90/10)</u> (Medical/Chiro)	Self	281.22	2.14	283.36	134.65	2.14	136.79	136.80	47.9%	48.3%	146.56	52.1%	51.7%
	2-Party	683.21	4.49	687.70	327.11	4.49	331.60	331.60	47.9%	48.2%	356.10	52.1%	51.8%
	Family	870.48	6.56	877.04	416.80	6.56	423.36	423.36	47.9%	48.3%	453.68	52.1%	51.7%
<u>EUTF HMSA PPO (80/20)</u> (Medical/Chiro)	Self	272.02	2.14	274.16	134.65	2.14	136.79	136.80	49.5%	49.9%	137.36	50.5%	50.1%
	2-Party	660.84	4.50	665.34	327.11	4.50	331.60	331.60	49.5%	49.8%	333.74	50.5%	50.2%
	Family	841.96	6.56	848.52	416.80	6.56	423.36	423.36	49.5%	49.9%	425.16	50.5%	50.1%
<u>Kaiser HMO Comprehensive</u> (Medical/Drug/Chiro)	Self	309.19	2.75	311.94	166.47	2.75	169.22	169.22	53.8%	54.2%	142.72	46.2%	45.8%
	2-Party	750.67	5.77	756.44	404.43	5.77	410.21	410.20	53.9%	54.2%	346.24	46.1%	45.8%
	Family	957.00	8.44	965.44	515.29	8.44	523.72	523.72	53.8%	54.2%	441.72	46.2%	45.8%
<u>Kaiser HMO Basic</u> (Medical/Drug/Chiro)	Self	273.51	2.75	276.26	166.47	2.75	169.22	169.22	60.9%	61.3%	107.04	39.1%	38.7%
	2-Party	664.03	5.77	669.80	404.43	5.77	410.21	410.20	60.9%	61.2%	259.60	39.1%	38.8%
	Family	846.48	8.44	854.92	515.29	8.44	523.72	523.72	60.9%	61.3%	331.20	39.1%	38.7%
<u>EUTF HMSA HMO</u> (Medical/Drug/Chiro)	Self	381.57	2.75	384.32	166.47	2.75	169.22	169.22	43.6%	44.0%	215.10	56.4%	56.0%
	2-Party	927.06	5.78	932.84	404.43	5.78	410.21	410.20	43.6%	44.0%	522.64	56.4%	56.0%
	Family	1,181.47	8.43	1,189.90	515.29	8.43	523.72	523.72	43.6%	44.0%	666.18	56.4%	56.0%
<u>EUTF HMSA HDHP</u> (Medical/Drug)	Self	257.57	2.75	260.32	166.47	2.75	169.22	169.22	64.6%	65.0%	91.10	35.4%	35.0%
	2-Party	626.79	5.77	632.56	404.43	5.77	410.21	410.20	64.5%	64.8%	222.36	35.5%	35.2%
	Family	798.99	8.43	807.42	515.29	8.43	523.72	523.72	64.5%	64.9%	283.70	35.5%	35.1%
<u>Royal Supplemental</u> (Medical/Drug/Chiro)	Self	53.87	2.75	56.62	32.32	2.75	35.07	35.06	60.0%	61.9%	21.56	40.0%	38.1%
	2-Party	133.97	5.77	139.74	80.38	5.77	86.15	86.14	60.0%	61.6%	53.60	40.0%	38.4%
	Family	148.96	8.44	157.40	89.38	8.44	97.82	97.82	60.0%	62.1%	59.58	40.0%	37.9%
<u>EUTF HMSA Supplemental</u> (Medical/Drug/Chiro)	Self	200.26	2.74	203.00	98.55	2.75	101.30	101.30	49.2%	49.9%	101.70	50.8%	50.1%
	2-Party	487.03	5.77	492.80	239.62	5.77	245.39	245.38	49.2%	49.8%	247.42	50.8%	50.2%
	Family	620.14	8.42	628.56	305.05	8.43	313.48	313.48	49.2%	49.9%	315.08	50.8%	50.1%
<u>EUTF NMHC Drug Only</u>	Self	63.25	0.61	63.86	31.82	0.61	32.43	32.42	50.3%	50.8%	31.44	49.7%	49.2%
	2-Party	153.77	1.29	155.06	77.32	1.29	78.61	78.60	50.3%	50.7%	76.46	49.7%	49.3%
	Family	196.09	1.87	197.96	98.49	1.87	100.36	100.36	50.2%	50.7%	97.60	49.8%	49.3%
<u>HDS Dental</u> ²	Self	30.48	0.30	30.78	16.76	0.30	17.06	17.06	55.0%	55.4%	13.72	45.0%	44.6%
	2-Party	60.92	0.66	61.58	33.53	0.66	34.19	34.18	55.0%	55.5%	27.40	45.0%	44.5%
	Family	100.40	0.94	101.34	69.73	0.94	70.67	70.66	69.5%	69.7%	30.68	30.6%	30.3%
<u>VSP Vision Plan</u>	Self	5.98	0.06	6.04	3.59	0.06	3.65	3.64	60.0%	60.3%	2.40	40.1%	39.7%
	2-Party	11.06	0.12	11.18	6.64	0.12	6.76	6.76	60.0%	60.5%	4.42	40.0%	39.5%
	Family	14.45	0.17	14.62	8.67	0.17	8.84	8.84	60.0%	60.5%	5.78	40.0%	39.5%
<u>Life, All Units</u> ²		4.12	0.04	4.16	4.12	0.04	4.16	4.16	100.0%	100.0%	-	0.0%	0.0%

The Senate
The Twenty-Fifth Legislature
Regular Session of 2010



Committee on Ways and Means
Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair

HAWAII

DATE: Tuesday, February 23, 2010
TIME: 10:10 am
PLACE: Conference Room 211

**TESTIMONY OF THE UNITED PUBLIC WORKERS, LOCAL 646, ON SB 2884, SD1,
MAKING AN APPROPRIATION FOR COLLECTIVE BARGAINING COST ITEMS**

My name is Dayton M. Nakanelua, state director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). The UPW represents approximately 2,961 institutional, health, and correctional workers in bargaining unit 10 under chapter 89. We are in favor of the intent and purpose of this measure which appropriates funds to pay sixty percent (60%) of the final premium rates established by the Hawaii employer union health benefits trust fund (EUTF) for health benefit plans for bargaining unit 10 employees from July 1, 2009 to June 30, 2011.

As you know, on January 14, 2010 an arbitration panel rendered a decision and award for a reduction of wages of 5.45% for state employees, and furloughs for employees of the Hawaii Health Systems Corporation. The union and the employer have been unable, within 10 working days of the award, to resolve the amount of contributions by the State and counties. Section 89-11 (g), Hawaii Revised Statutes (HRS), requires the union and employer to submit their respective recommendations to the legislature for a final determination on the amounts within five days. On February 1, 2010 we submitted our recommendation to the legislature.

Our recommendation is consistent with the intent and purpose of these measures which essentially renew the prior unit 10 agreement as set forth in Section 62 for the next two years by payment of a specific dollar amount equivalent to sixty percent (60%) of the final premium rates for health benefit plans. Since the mid-1970's the State and counties have consistently paid 60% of the premium costs of providing health fund coverage and benefits. Following the formation of the EUTF in 1985 under chapter 87A public employers have continued to pay not less than 60% of premium costs, while employees have paid 40% of premium costs.

As a general rule the proportion of health benefit costs assumed by the public sector is the highest in Hawaii. Employees of organized hospitals do not pay more than 10% for health benefit coverage at Queens Medical Center, 10% at Kaiser Permanente Hospital, or 16% at Straub Clinic

and Hospital.² Employees in the construction industry who are unionized pay no amount for health benefit contributions, their employers pay 100% of the premium cost for health benefits. Employees working for unionized utilities pay at the most 10% of their health benefits and care. Employees of hotels in the state who are represented by ILWU do not pay more than 25% of the health benefit contribution amounts.

Any change in the employer-employee ratio for health care benefits is significant because medical benefit premium increases nationally have been running between 9.5% to 12% annually. On July 1, 2009 the health benefit premiums for unit 10 employees increased by double digits. Although the contribution amounts per month increased for both employer and employee the counties agreed to continue the 60% (employer) 40% (employee) ratio on the entire premium cost, on and after July 1, 2009. For county employees the overall increase still represented a 24% increase in employee costs, effective July 1, 2009. The State unilaterally refused to maintain the 60-40 ratio and insisted that employees pay the entire amount of the increase in premiums on and after July 1, 2009. The net effect of the State's action was to reduce their share of the overall premium costs from 60% to between 42% to 51.3% depending on the medical plan involved, thereby increasing the employee portion from 40% of premium cost to up to as much as 58%. The State's action caused the monthly cost for health benefits for State employees to increase by 60.4% to 62.2%. Uniformity between State and county contribution amounts is vital to employee morale, particularly where there have been cuts in wages.

Accordingly, we urge your favorable action on this measure.

² We refer to health care facilities because 1,050 of the 2,961 employees in bargaining unit 10 are employed by the Hawaii Health Systems Corporation.