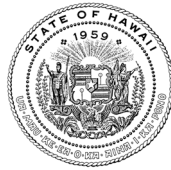


JOSH GREEN, M.D.
GOVERNOR



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 SENATE COMMITTEE ON LABOR AND TECHNOLOGY
ON SENATE BILL NO. 1315

February 10, 2023
3:00 p.m.
Conference Room 224 & Videoconference

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
MEDICARE PART B PREMIUM REIMBURSEMENT

Chair Moriwaki, Vice Chair Lee, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees strongly supports this bill. The EUTF Board believes that this bill is a reasonable long-term cost containment proposal that does not impact current retirees, vested former employees, and current employees.

The intent of this bill is to discontinue Employer reimbursement of Medicare Part B income related monthly adjustment amounts (IRMAA) for higher income retirees (e.g. modified adjusted gross income of greater than \$97,000 for a single filer from their 2021 federal income tax return, income thresholds indexed to inflation), hired after June 30, 2023, and their higher income spouses. Chapter 87A-23, Hawaii Revised Statutes (HRS) and EUTF Administrative Rules require that retirees and their dependents enroll in Medicare Part B, if eligible, to enroll in EUTF retiree medical and/or prescription drug plans. HRS 87A-23 and EUTF Administrative Rules also require that the Employers reimburse retirees and their spouses Medicare Part B premiums. Medicare Part B premium reimbursements

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.

currently include the IRMAA but exclude penalties. The following are the 2023 standard (\$164.90) Medicare Part B premium and the premiums including the IRMAA additions:

Beneficiaries who file individual tax returns with income	Beneficiaries who file joint tax returns with income	2023
Less than or equal to \$97,000	Less than or equal to \$194,000	\$164.90
Greater than \$97,000 and less than or equal to \$123,000	Greater than \$194,000 and less than or equal to \$246,000	\$230.80
Greater than \$123,000 and less than or equal to \$153,000	Greater than \$246,000 and less than or equal to \$306,000	\$329.70
Greater than \$153,000 and less than or equal to \$183,000	Greater than \$306,000 and less than or equal to \$366,000	\$428.60
Greater than \$183,000 and less than \$500,000	Greater than \$366,000 and less than \$750,000	\$527.50
Greater than or equal to \$500,000	Greater than or equal to \$750,000	\$560.50

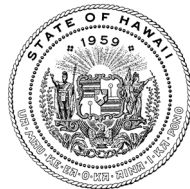
Eliminating the Medicare Part B IRMAA reimbursement is consistent with the current practice of Employers not reimbursing Medicare Part D (prescription drug) premiums which ranges from \$12.20 to \$76.40 for 2023 and is only assessed and collected by the Centers for Medicare and Medicaid Services on the same higher income retirees and spouses subject to the IRMAA.

The IRMAA is estimated to be \$8.5 million (\$6.2 million retirees and \$2.3 million spouses) for all employers in calendar year 2022.

EUTF staff estimate that this change would save the State \$430 million over the next 30 years in lower annual required contributions (ARC) as the cost of the retiree healthcare benefit (normal cost) will be lower for new hires from July 1, 2023. The savings from a lower ARC will be small at the onset but will grow as these new hires replace the higher benefit employees.

Thank you for the opportunity to testify.

JOSH GREEN, M.D.
GOVERNOR



LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
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
Ka 'Oihana Mālama Mo'ohelu a Kālā
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

WRITTEN ONLY
TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON LABOR AND TECHNOLOGY
ON
SENATE BILL NO. 1315

February 10, 2023
3:00 p.m.
Room 224 and Videoconference

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST
FUND MEDICARE PART B PREMIUM REIMBURSEMENT

The Department of Budget and Finance supports this measure.

Senate Bill (S.B.) No. 1315 amends Section 87A-23, HRS, to exclude retired employees who were hired after June 30, 2023, and their spouses from receiving Medicare income related monthly adjustment amounts (IRMAA) as part of their Medicare Part B reimbursement payments.

This bill will reduce the annual required contributions for Other Post-Employment Benefits (OPEB) for the State, the counties, and other public employers. Medicare IRMAAs are a significant cost to the State and totaled approximately \$8.5 million of the State's total Medicare Part B reimbursements in FY 22. The Hawai'i Employer-Union Health Benefits Trust Fund's actuary projects that this change in benefits will reduce the State's OPEB costs by about \$400 million over the next 30 years, providing some additional flexibility in the State's budget to accelerate pre-funding of OPEB, allocate funds toward other priorities, or respond to economic downturns.

Thank you for your consideration of our comments.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

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

LATE

The Thirty-Second Legislature, State of Hawaii
The Senate
Committee on Labor and Technology

Testimony by
Hawaii Government Employees Association

February 10, 2023

S.B. 1315 — RELATING TO THE HAWAII
EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
MEDICARE PART B PREMIUM REIMBURSEMENT

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO would like to provide comments on S.B. 1315, which amends Section 87A-23, Hawaii Revised Statutes, to exclude Medicare income related monthly adjustment amounts reimbursement by the State and counties for retired employees hired after June 30, 2023, and their spouses.

While we appreciate that the proposed changes to Section 87A-23, Hawaii Revised Statutes will affect prospective employees hired after June 30, 2023, and fully recognize the long-term cost savings to the EUTF, we are concerned about the continued, steady erosion of the retirement benefit package for career government employees. These gradual reductions in benefits – coupled with the astronomical cost of health care – does not aid in the recruitment and retention of your government workforce.

Policymakers must take a comprehensive approach and find a balance between fiscal prudence, providing an attractive benefit package for the best and brightest employees, and our state's immediate needs and future obligations.

Thank you for the opportunity to provide comments on S.B. 1314.

Respectfully submitted,

Randy Perreira
Executive Director

SHOPO **LATE**



STATE OF HAWAII ORGANIZATION OF POLICE OFFICERS
" A Police Organization for Police Officers Only "
Founded 1971

February 9, 2023

VIA ONLINE

The Honorable Sharon Y. Moriwaki
Chair
The Honorable Chris Lee
Vice-Chair
Senate Committee on Labor and Technology
Hawaii State Capitol, Rooms 215, 219
415 South Beretania Street
Honolulu, HI 96813

Re: **SB 1315 – Relating to the Hawaii Employer-Union Health Benefits Trust Fund Spousal Medicare Part B Premium Reimbursement**

Dear Chair Dela Cruz, Vice-Chair Keith-Agaran, and Honorable Committee members:

I serve as the President of the State of Hawaii Organization of Police Officers (“SHOPO”) and write to you on behalf of our Union in **strong opposition** to SB 1315. This bill amends HRS § 87A-23 to end Medicare part B income related monthly adjustment amounts (IRMAA) reimbursement by the State and counties for retired employees hired after June 30, 2023 and their spouses.

As it currently stands, the State and counties reimburse retirees and their spouses Medicare Part B premiums, including IRMAA under HRS § 87A-23. Pursuant to this bill, the State and counties would no longer reimburse IRMAA for retired employees hired after June 30, 2023 and their spouses. While current retirees and employees will not be impacted by this bill, all employees hired after June 30, 2023 will lose this valuable benefit of devoting a career to public service.

As you may know, our county police departments are experiencing a severe staffing crisis. The existing and already reduced retirement benefits available to police officers do not attract a sufficient number of qualified police officer recruits, turnover is constant, new recruits enlist and then cannot make it through our training or they graduate and soon leave for other jurisdictions that offer higher compensation and take our training with them and our most experienced officers, i.e., those who are eligible to retire, are exiting at the first opportunity.

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The Honorable Sharon Y. Moriwaki, Chair
The Honorable Chris Lee, Vice-Chair
Senate Committee on Labor and Technology
February 9, 2023

SHOPO Testimony Page 2

Re: **SB 1315 – Relating to the Hawaii Employer-Union Health Benefits Trust Fund
Spousal Medicare Part B Premium Reimbursement**

This bill may potentially compound this crisis by potentially discouraging and disincentivizing individuals from becoming police officers, which in turn will further hinder the respective county departments' ability to recruit new officers. The simple fact is we should be making our retirement benefits more competitive as opposed to further dwindling away valued benefits from future employees. Otherwise we will continue to lose the recruitment battle and the exodus of officers to other jurisdictions that offer much greater and attractive benefit packages.

We thank you for allowing us to be heard and to share our concerns on this bill and hope your committee will unanimously reject this bill.

Respectfully submitted,

ROBERT "BOBBY" CAVACO
SHOPO President