

JAN 22 2007

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# A BILL FOR AN ACT

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST  
FUND.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Section 87A-33, Hawaii Revised Statutes, is  
2 amended to read as follows:

3           "§87A-33 State and county contributions; retired  
4 employees. (a) Notwithstanding any law to the contrary, this  
5 section shall apply to state and county contributions to the  
6 fund for:

7           (1) The dependent-beneficiary of an employee who is killed  
8           in the performance of duty;

9           (2) A dependent-beneficiary, upon the death of the  
10           employee-beneficiary, except as provided in  
11           section 87A-36;

12           (3) An employee-beneficiary who retired after June 30,  
13           1984, due to a disability falling within sections 88-  
14           79 and 88-285;

15           (4) An employee-beneficiary who retired before July 1,  
16           1984;

17           (5) An employee-beneficiary who:

S.B. NO. 1380

- 1 (A) Was hired before July 1, 1996;
- 2 (B) Retired after June 30, 1984; and
- 3 (C) Who has ten years or more of credited service,
- 4 excluding sick leave;
- 5 (6) An employee-beneficiary who:
  - 6 (A) Was hired after June 30, 1996; and
  - 7 (B) Retired with twenty-five or more years of
  - 8 credited service, excluding sick leave, except as
  - 9 provided in section 87A-36; and
- 10 (7) Employees who retired prior to 1961 and their
- 11 dependent-beneficiaries.
- 12 (b) Effective July 1, 2003, there is established a base
- 13 monthly contribution for health benefit plans that the State,
- 14 through the department of budget and finance, and the counties;
- 15 through their respective departments of finance, shall pay to
- 16 the fund, up to the following:
  - 17 (1) \$218 for each employee-beneficiary enrolled in
  - 18 supplemental medicare self plans;
  - 19 (2) \$671 for each employee-beneficiary enrolled in
  - 20 supplemental medicare family plans;
  - 21 (3) \$342 for each employee-beneficiary enrolled in non-
  - 22 medicare self plans; and

1           (4) \$928 for each employee-beneficiary enrolled in non-  
2                    medicare family plans.

3           The monthly contribution by the State or county shall not  
4 exceed the actual cost of the health benefits plan or plans. If  
5 both husband and wife are employee-beneficiaries, the total  
6 contribution by the State or county shall not exceed the monthly  
7 contribution for a supplemental medicare family or non-medicare  
8 family plan, as appropriate.

9           (c) Effective July 1, 2004, there is established a base  
10 monthly contribution for health benefit plans that the State,  
11 through the department of budget and finance, and the counties,  
12 through their respective departments of finance, shall pay to  
13 the fund, up to the following:

14           (1) \$254 for each employee-beneficiary enrolled in  
15                    supplemental medicare self plans;

16           (2) \$787 for each employee-beneficiary enrolled in  
17                    supplemental medicare family plans;

18           (3) \$412 for each employee-beneficiary enrolled in non-  
19                    medicare self plans; and

20           (4) \$1,089 for each employee-beneficiary enrolled in non-  
21                    medicare family plans.

1           The monthly contribution by the State or county shall not  
2 exceed the actual cost of the health benefit plan or plans and  
3 shall not be required to cover increased benefits above those  
4 initially contracted for by the fund for plan year 2004-2005.  
5 If both husband and wife are employee-beneficiaries, the total  
6 contribution by the State or county shall not exceed the monthly  
7 contribution for a supplemental medicare family or non-medicare  
8 family plan, as appropriate.

9           (d) The base composite monthly contribution shall be  
10 adjusted annually, beginning July 1, 2005. The adjusted base  
11 composite monthly contribution for each new plan year (July 1  
12 until June 30) shall be calculated by increasing or decreasing  
13 the base composite monthly contribution in effect through the  
14 end of the previous plan year by the percentage increase or  
15 decrease in the medicare part B premium rate for those years,  
16 which percentage shall be calculated by dividing the medicare  
17 part B premium rate in effect at the beginning of the new plan  
18 year by the rate in effect at the beginning of the previous plan  
19 year.

20           For the plan year beginning July 1, 2005, the adjusted base  
21 monthly contribution shall be computed using the actual  
22 contracted premium rate as of July 1, 2004, for medicare and

S.B. NO. 1380

1 non-medicare, self and family health benefits plans with the  
2 highest actual contracted premium rate as of July 1, 2004.

3 As used in this subsection, "medicare part B premium rate"  
4 means the rate published in the Federal Register each year on  
5 November 1 or on the business day closest to November 1 of each  
6 year after the medicare part B premium rate has been established  
7 by the Secretary of Health and Human Services and approved by  
8 the United States Congress.

9 (e) If the board adopts a rate structure that provides for  
10 other than self and family rates for the health benefit plans,  
11 the base monthly contribution for the rate structure adopted by  
12 the board shall be adjusted to provide the equivalent  
13 underwriting cost as the base monthly contribution that is  
14 provided for in this section."

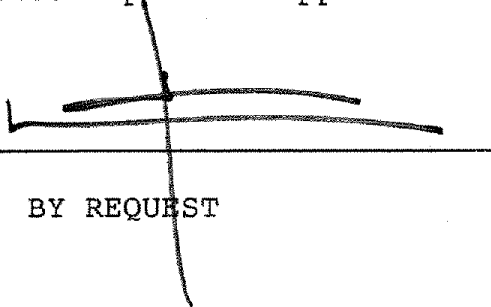
15 SECTION 2. New statutory material is underscored.

16 SECTION 3. This Act shall take effect upon its approval.

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INTRODUCED BY:



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BY REQUEST

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JUSTIFICATION SHEET

DEPARTMENT: BUDGET AND FINANCE

TITLE: A BILL FOR AN ACT RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND.

PURPOSE: The purpose of this bill is to provide for an appropriate, cost-neutral adjustment of the base monthly contribution for retiree benefit plans, in the event the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees adopts a revised rate structure for its retiree benefit plans.

MEANS: Amend section 87A-33, Hawaii Revised Statutes (HRS).

JUSTIFICATION: Act 88, Session Laws of Hawaii 2001, established the EUTF and provided for the public employers' base monthly contributions ("caps") for EUTF retiree health benefits plans to be on a two-tier basis (one "cap" for self plans and a different "cap" for family plans). Like its predecessor, the Hawaii Public Employee Health Plan, the EUTF has offered retiree health benefits plans utilizing a two-tier rate structure (one rate for self plans and a different rate for family plans). However, some retirees now receive a public employer contribution of only 50 percent of the base monthly contribution, with the retiree paying the remainder of the premiums due for the retiree's health benefit plans. In the near future, a 75 percent public employer contribution will apply to some retirees. The number of retirees receiving 50 percent or 75 percent of the base monthly contributions will increase over the next twenty years. In response, the EUTF Board of Trustees may wish to consider a multi-tier rate structure so that the rates for retiree health benefits plans would

correspond more closely with the size of a retiree's family (e.g., retiree and spouse would have a two-party rate, instead of family rate). This bill would provide for the public employers' base monthly contributions to be adjusted to reflect any change in the retiree rate structure.

Impact on the public: The bill will have no direct impact on the public.

Impact on the department and other agencies: The bill will have no direct impact on the department or other agencies. The bill will eliminate the potential for confusion and under and overpayment issues that might result if the EUTF Board were to change the rate structure of its retiree health benefits plans under the current statutory language governing the public employers' base monthly contributions. For example, it might be argued that the current base monthly contribution for family plans would apply to any two-party rate. This could render the effect of the base monthly contribution meaningless, since the "cap" would be much higher than the actual two-party rates.

GENERAL FUND:	None.
OTHER FUNDS:	None.
PBBS PROGRAM DESIGNATION:	None.
OTHER AFFECTED AGENCIES:	None.
EFFECTIVE DATE:	Upon approval.