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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 WAYS AND MEANS
ON
SENATE BILL NO. 2839 SD1

February 17, 2016, 9:15 a.m.

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

The purpose of this bill is to amend the definition of “dependent-beneficiary” contained in EUTF’s statute, chapter 87A, Hawaii Revised Statutes, to clarify eligibility of children for participation in EUTF’s benefit plans and to bring the definition in conformance with the federal Affordable Care Act.

The EUTF Board of Trustees strongly supports this Administration bill.

Currently when an employee passes away while actively employed and eligible to retire at the time of his/her death, or when the employee was killed in the performance of duty, the EUTF covers the surviving spouse and the surviving spouse’s dependent children. Similarly, when a retiree passes away, EUTF covers the surviving spouse and the surviving spouse’s children. In most cases, surviving spouses pay $-0- for their coverages as their premiums are paid entirely by the State or counties. If the surviving spouse remarries, however, they are no longer eligible for coverage.

EUTF has identified a few situations in which retiree surviving spouses added dependents to their plans more than 10 months after the death of the retiree. The estimated cost to the employer is $225,000 based on coverage of the dependents up to age 19 (if the dependent was a full-time student coverage would be up to age 24 adding another $60,000). The amendment in the SD1 to exclude a child adopted 10 months after the death of the employee or retiree by the surviving spouse is in accordance with the intent of the EUTF Board to clarify the definition of "dependent-beneficiary." Situations in which the adoption was initiated by the deceased employee or retiree but completed after 10 months of their death can be addressed through the EUTF's appeal process.

Currently, the premium for self coverage of a non-Medicare retiree enrolled in the EUTF PPO medical, drug, dental and vision plans is approximately $710 per month, whereas the premium for two-party coverage is approximately $1,383 per month. That's a difference of $673 per month or $8,076 per year that the State or counties are paying which we believe the Legislature never contemplated or intended to cover. This additional cost is borne principally by the State and counties as the vast majority of retirees still receive 100% of their premiums paid by the State and counties. This additional expense also adds to the overall liability of the State to meet its other post-employment benefit (OPEB) liability.

The other change this bill will accomplish is to remove the requirement that a "child" must be unmarried since the Affordable Care Act requires coverage of children up to age 26 regardless of whether or not they are married for our active employee plans.

Thank you for the opportunity to testify.