
HOUSE CONCURRENT RESOLUTION

REQUESTING THE LEGISLATIVE REFERENCE BUREAU TO CONDUCT A
FEASIBILITY STUDY ON CONVERTING THE HAWAII EMPLOYER-UNION
HEALTH BENEFITS TRUST FUND FROM A FULLY INSURED MODEL TO A
SELF-INSURED MODEL TO PROVIDE HEALTH BENEFITS TO STATE AND
COUNTY EMPLOYEES AND RETIREES.

1 WHEREAS, the Hawaii Employer-Union Health Benefits Trust
2 Fund, more commonly known as the EUTF, is a fully insured trust
3 fund that provides medical, chiropractic, prescription drug,
4 dental, vision, and life insurance benefits to all eligible
5 State and county employees and retirees; and
6

7 WHEREAS, the EUTF is responsible for designing health
8 benefit plans (e.g., coinsurance, copayments, and deductibles)
9 subject to federal and state regulations, contracting with
10 insurance carriers and pharmacy benefit managers to provide
11 services, and developing and negotiating premium rates; and
12

13 WHEREAS, the EUTF currently provides insurance coverage for
14 approximately 70,000 active employees plus 60,000 of their
15 dependents, and 45,000 retirees plus 20,000 of their dependents;
16 and
17

18 WHEREAS, health care insurance premiums for health benefit
19 plans designed by the EUTF have risen rapidly over the last
20 decade with premium costs rising from \$900,700,000 to over
21 \$1,000,000,000, during fiscal year 2015-2016 alone, an increase
22 of almost \$100,000,000; and
23

24 WHEREAS, according to the National Conference of State
25 Legislatures, in 2010, forty-six states self-insured or self-
26 funded at least one of their employee health care plans, and at
27 least twenty states self-funded all of their employee health
28 care offerings; and



1 WHEREAS, self-insured or self-funded plans have a number of
2 potential advantages over fully insured plans, including:

- 3
- 4 (1) Elimination of certain taxes and fees, including
5 premium taxes and market share fees under the federal
6 Patient Protection and Affordable Care Act;
- 7
- 8 (2) Lower administration costs;
- 9
- 10 (3) Savings from the elimination of profit margin and risk
11 charges by insurance carriers;
- 12
- 13 (4) Lack of a need to pre-pay for coverage, which allows
14 for improved cash flow;
- 15
- 16 (5) Greater control over health plan reserves, which
17 allows for higher investment returns on the reserves;
- 18
- 19 (6) Greater flexibility with benefit design, provider
20 networks, and add-on services; and
- 21
- 22 (7) Better data collection, which in turn allows for
23 better management of financials;
- 24

25 and

26

27 WHEREAS, numerous jurisdictions that have chosen to
28 administer self-insured or self-funded employee health care
29 plans have been able to lower costs while still maintaining a
30 high level of health benefits for their employees, including:

- 31
- 32 (1) Mississippi, where the state and school employee's
33 life and health insurance plan has expanded benefits
34 and access to quality health care providers while
35 maintaining insurance premiums for active employees
36 for the past six years without any increases;
- 37
- 38 (2) Utah, where its self-funded public employee health
39 program has benefitted from more than \$10,000,000 in
40 pharmacy rebates, which the state paid back into the
41 risk pools that earned the rebates;



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1 (3) Wisconsin, where its group insurance board recently
 2 voted to transition its employee trust fund from a
 3 fully insured plan to a self-funded plan by January 1,
 4 2018 because estimates have shown that doing so will
 5 save more than \$60,000,000 over the 2017-2019
 6 biennium, with similar savings predicted over
 7 subsequent biennia; and
 8

9 (4) Philadelphia, which has saved over \$20,000,000 from
 10 fiscal years 2008 through 2013 on the cost of health
 11 benefits through a self-insured model;
 12

13 and
 14

15 WHEREAS, converting the EUTF from a fully insured to a
 16 self-insured model may provide cost savings that could be
 17 reinvested toward the State's large unfunded liability in the
 18 other post-employment benefits trust fund, thus saving taxpayers
 19 large sums of money in the long run; and
 20

21 WHEREAS, it would be prudent for the State to examine the
 22 feasibility of converting the EUTF from a fully insured model to
 23 a self-insured model and whether such a conversion will result
 24 in any cost savings; now, therefore
 25

26 BE IT RESOLVED by the House of Representatives of the
 27 Twenty-ninth Legislature of the State of Hawaii, Regular Session
 28 of 2018, the Senate concurring, that the Legislative Reference
 29 Bureau is requested to conduct a feasibility study on converting
 30 the EUTF from a fully insured model to a self-insured model to
 31 provide health benefits to state and county employees; and
 32

33 BE IT FURTHER RESOLVED that as part of the feasibility
 34 study, the Legislative Reference Bureau is requested to
 35 determine any costs that would be incurred in converting the
 36 EUTF to a self-insured model and any financial or other
 37 benefits, if any, conversion to a self-insured model would
 38 produce; and
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40 BE IT FURTHER RESOLVED that in conducting the feasibility
 41 study, the Legislative Reference Bureau is requested to also
 42 examine the potential impacts of transitioning health benefits



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1 to a fully self-insured model, partially self-insured model, or
2 other risk retention model; and
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4 BE IT FURTHER RESOLVED that the Legislative Reference
5 Bureau is requested to submit a report of its findings and
6 recommendations, including any proposed legislation, to the
7 Legislature no later than twenty days prior to the convening of
8 the Regular Session of 2019; and
9

10 BE IT FURTHER RESOLVED that certified copies of this
11 Concurrent Resolution be transmitted to the Director of the
12 Legislative Reference Bureau and Chairperson of the Board of
13 Trustees of the Hawaii Employer-Union Health Benefits Trust
14 Fund.
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