HOUSE OF REPRESENTATIVES
TWENTY-NINTH LEGISLATURE, 2018
STATE OF HAWAII

H.R. NO. 122

HOUSE 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.

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

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

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

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

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

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

(1) Elimination of certain taxes and fees, including premium taxes and market share fees under the federal Patient Protection and Affordable Care Act;

(2) Lower administration costs;

(3) Savings from the elimination of profit margin and risk charges by insurance carriers;

(4) Lack of a need to pre-pay for coverage, which allows for improved cash flow;

(5) Greater control over health plan reserves, which allows for higher investment returns on the reserves;

(6) Greater flexibility with benefit design, provider networks, and add-on services; and

(7) Better data collection, which in turn allows for better management of financials;

and

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

(1) Mississippi, where the state and school employee's life and health insurance plan has expanded benefits and access to quality health care providers while maintaining insurance premiums for active employees for the past six years without any increases;

(2) Utah, where its self-funded public employee health program has benefitted from more than $10,000,000 in pharmacy rebates, which the state paid back into the risk pools that earned the rebates;

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

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

and

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

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

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

BE IT FURTHER RESOLVED that as part of the feasibility study, the Legislative Reference Bureau is requested to determine any costs that would be incurred in converting the EUTF to a self-insured model and any financial or other benefits, if any, conversion to a self-insured model would produce; and

BE IT FURTHER RESOLVED that in conducting the feasibility study, the Legislative Reference Bureau is requested to also

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examine the potential impacts of transitioning health benefits to a fully self-insured model, partially self-insured model, or other risk retention model; and

BE IT FURTHER RESOLVED that the Legislative Reference Bureau is requested to submit a report of its findings and recommendations, including any proposed legislation, to the Legislature no later than twenty days prior to the convening of the Regular Session of 2019; and

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

OFFERED BY: _____

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