



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 COMMERCE, CONSUMER
PROTECTION, AND HEALTH
ON SENATE BILL NO. 2064

February 8, 2018
2:45 p.m.
Room 229

RELATING TO HEALTH

Chairs Baker and Tokuda, Vice Chairs Tokuda and English, and Members of the Committees:

The EUTF Board of Trustees has not had an opportunity to take a position on this bill. The EUTF Board's next meeting is February 27, 2018. At this time, EUTF staff would like to provide comments on the bill.

Medicare Part D (outpatient prescription drug program) premiums are assessed by the Centers for Medicare and Medicaid Services on Medicare (CMS) retirees earning \$85,000 single filer/\$170,000 joint filer. Retirees making less are not assessed a Medicare Part D premiums by CMS. See attached for details. Medicare Part D began on January 1, 2006 as authorized by the Medicare Prescription Drug Improvement and Modernization Act of 2003.

The EUTF statute, Hawaii Revised Statutes 87A (HRS 87A), does not require that the employers reimburse retirees and their spouses for their Medicare Part D

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.

premiums, only Medicare Part B premiums are required to be reimbursed under HRS 87A-23. However, retirees and dependents eligible for Medicare Part D are required to enroll in Medicare Part D in order to participate in the retiree prescription drug program. For calendar year 2016, CMS provided a subsidy of approximately \$95 per member per month for the EUTF Medicare retiree prescription drug costs, which is significantly greater than the Medicare Part D premiums. EUTF Administrative Rules 5.03 provides for the reimbursement of income adjustments to Medicare Part B premiums which are based on the same income levels as the Medicare Part D premiums.

EUTF estimates that the annual costs to the employers for reimbursement of Medicare Part D premiums, excluding any penalties, is \$1.2 million per year. This change would increase the OPEB actuarial accrued liability by approximately \$46 million.

Thank you for the opportunity to testify.

Medicare Part B Premiums

	2017 Medicare Retirees Spouses	2018 Monthly Premium
Single filer income levels (joint amounts are double) *		
Below \$85,000	47,470	\$0.00
Above \$85,000 up to \$107,000	1,707	\$13.00
Above \$107,000 up to \$133,500	1,219	\$33.60
Above \$133,500 up to \$160,000	320	\$54.20
Above \$160,000	279	\$74.80
	<u>3,525</u>	
	<u>50,995</u>	

Based on a two year income lookback. For example the
* 2018 premiums based on the 2016 retiree/spouse
income.

**Attachment: Testimony Derek Mizuno, EUTF
LBR, CPH, SB 2064
8-Feb-18
Page 1 of 1**

DAVID Y. IGE
GOVERNOR



LAUREL A. JOHNSTON
ACTING DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY LAUREL A. JOHNSTON
ACTING DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEES ON LABOR
AND COMMERCE, CONSUMER PROTECTION, AND HEALTH
ON
SENATE BILL NO. 2064

February 8, 2018
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RELATING TO HEALTH

Senate Bill No. 2064 requires the State and the counties to include the cost of Medicare Part D premiums in their fund contributions beginning July 1, 2018.

The Department of Budget and Finance has strong concerns that this measure will increase the State's Annual Required Contribution for ongoing health benefits payments needs and Other Post-Employment Benefits liabilities. This will negatively impact the Administration and Legislature's ability to fund other priorities.

Thank you for your consideration of our comments.



LATE

The Senate Joint Committee on Labor and
Commerce, Consumer Protection, and Health
Thursday, February 8, 2018
2:45 PM, Conference Room 229

RE: **SB 2064, Relating to Health**

Attention: Chairs Tokuda and Baker, Vice Chairs English and Tokuda, and members of
the Joint Committee

The University of Hawaii Professional Assembly (UHPA) urges the committee to
oppose SB 2064.

Under the EUTF statute, employers are currently required to reimburse retirees and
their spouses for their Medicare Part B premiums. This measure seeks to expand the
employer reimbursement to include Medicare Part D premiums.

In recent years, the Legislature has taken steps to address the Other Post Employment
Benefits (OPEB) liability with a plan designed to get to full funding. Expanding the
employer reimbursement for retirees and their spouses to include Medicare Part D
premiums would increase the OPEB liability, increasing the timeline to full funding.

UHPA opposes SB 2064.

Respectfully submitted,

A handwritten signature in black ink that reads "Kristeen Hanselman".

Kristeen Hanselman
Executive Director

University of Hawaii
Professional Assembly

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