

AMF 4/13/03



STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
HAWAII PUBLIC EMPLOYEES HEALTH FUND
P. O. BOX 2121
HONOLULU, HAWAII 96805

March 31, 2003

The Honorable Linda Lingle
Governor of the State of Hawaii
State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

The Honorable Georgina K. Kawamura
Director of Finance
Department of Budget and Finance
P.O. Box 150
Honolulu, Hawaii 96810

The Honorable Elaine L. Chao
Secretary of Labor
U.S. Department of Labor
Frances Perkins Building
200 Constitution Avenue, N.W.
Washington, D.C. 20210

The Honorable Russ Saito
Comptroller
Department of Accounting and General
Services
P.O. Box 119
Honolulu, Hawaii 96810

The Honorable Edward Kubo
United States Attorney
Department of Justice
300 Ala Moana Boulevard
Honolulu, Hawaii 96850

The Honorable Mark J. Bennett
Attorney General
Department of the Attorney General
425 Queen Street
Honolulu, Hawaii 96813

The Honorable Robert Bunda
President of the Senate
Twenty-Second Legislature
State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Mr. J.P. Schmidt
Insurance Commissioner
Department of Commerce and Consumer
Affairs
1010 Richards Street
Honolulu, Hawaii 96813

The Honorable Calvin Say
Speaker of the House of Representatives
Twenty-Second Legislature
State Capitol
415 South Beretania Street, Room 431
Honolulu, Hawaii 96813

Mr. Russell Okata
Executive Director
Hawaii Government Employees Association
888 Mililani Street, Room 601
Honolulu, Hawaii 96813

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Mr. Peter L. Trask
UPW/AFSCME
1426 North School Street
Honolulu, Hawaii 96817

Ms. Joan Husted
Executive Director
Hawaii State Teachers Association
1200 Ala Kapuna Street
Honolulu, Hawaii 96819

Dr. J.N. Musto
Executive Director
UH Professional Assembly
1017 Palm Drive
Honolulu, Hawaii 96814

Mr. Robert S. Thomas, Sr.
Business Manager
State of Hawaii Organization of Police
Officers
1717 Hoe Street
Honolulu, Hawaii 96819

Mr. Robert H. Lee, President
Hawaii Firefighters Local 1463
2305 S. Beretania Street, #202
Honolulu, Hawaii 96826

Ms. Aileen M.T. Shima
Executive Secretary
Hui Waipuna, Inc.
630 South Beretania Street
Honolulu, Hawaii 96843

Ms. Carolyn K. Remedios
Employees Association of the City &
County of Honolulu
45-206 Nohonani Place
Kaneohe, Hawaii 96744

Ms. Carol Yoneshige, Executive Director
Hawaii Education Association
Attn: Life Insurance Division
1649 Kalakaua Avenue
Honolulu, Hawaii 96826

Mr. Michael Riviera, President
Hawaii Police Relief Association
349 Kapiolani Street
Hilo, Hawaii 96720

Mr. Michael, Tamashiro, Executive Director
Honolulu Police Relief Association
1537 Young Street, #200
Honolulu, Hawaii 96826-1923

Mr. Andre S. Lennon, President
Public Employees Management Association
1325 Nuuanu Avenue, #212
Honolulu, Hawaii 96817

Mr. Clinton K. Wong, President
Honolulu Fire Department Fireman's Fund
P.O. Box 27206
Honolulu, Hawaii 96827

Re: Porting of Funds

Ladies and Gentlemen:

We, the Trustees of the Hawaii Public Employees Health Fund, have a fiduciary duty to government employers, to taxpayers and to fund beneficiaries; and, it is for this reason

we are writing this letter. Recently the Health Fund has learned of an issue that demands attention. Here are the facts, as we understand them.

In Fiscal Year 1992 through Fiscal Year 2002, the **Health Fund** insured approximately 94,000 (active employees and dependents) lives at a cost of approximately \$772 million.

Between Fiscal Year 1992 through Fiscal Year 2002, the **Health Fund** received approximately \$46.6 million in refunds from its insurance providers; of which \$28.5 million was returned to taxpayers and \$18.1 million was distributed to Health Fund participants.¹

Between 1992 through Fiscal Year 2002, the **union-sponsored health plans** insured approximately 61,000 (active employees and dependents) lives, at a cost of approximately \$663 million.

During this same period, the **union-sponsored health plans**, using the same insurance providers, apparently received some form of refunds, but did not return funds to taxpayers or to union members.²

Further, it would appear that taxpayers contributed funds in excess of the actual cost of insurance to the **union-sponsored health plans**.

If the Health Fund received refunds and returned the excess funds to taxpayers and its participants, why haven't the union-sponsored plans returned the excess funds to the taxpayers and their members?

Why should taxpayers be asked to contribute to union-sponsored plans, funds in excess of the actual cost of insurance?

We don't have the answer. We don't have the funds to conduct an audit to determine the answer. Given recent courtroom developments and the enormous sums involved, however, we think the following steps should be taken:

1. Conduct an audit;
2. Recover excess funds;

¹ In addition to these sums, the Health Fund received \$33 million as refunds from the providers of insurance for retired employees and their dependents which was returned to taxpayers.

² Some of these issues are the subject of litigation in *Anzai v. HGEA, et al.*, First Circuit Court, Civil No. 02-1-0685.

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3. Refund excess funds to taxpayers and union participants;
4. Prevent any re-occurrence; and,
5. If wrongdoing has occurred, pursue litigation.

Thank you for your attention to this matter.

Sincerely yours,

/s/

GREGORY M. SATO
Chair
Hawaii Public Employees Health Fund

cc: Honolulu Star Bulletin
Honolulu Advertiser
KGMB
KITV
KHON
FOX
Union Newsletters