

**TESTIMONY BY H. MARK FUKUHARA
ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST
FUND, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
ON
SENATE BILL NO. 789, SENATE DRAFT 1, HOUSE DRAFT 1 (PROPOSED)**

MARCH 14, 2003

RELATED TO PUBLIC EMPLOYEE HEALTH BENEFITS

The Board of Trustees for the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) supports the adjustment in monthly employer contribution caps for retirees' health benefits plans based on changes to the Medicare Part B rates, to be effective retroactively to July 1, 2002.

On March 13, 2003, the Board approved the health benefits and corresponding premiums effective July 1, 2003 and July 1, 2004 as shown in Attachment 1. The retirees' rates effective July 1, 2003 are at or below the various employer contribution caps. The premiums approved effective July 1, 2004 are "not to exceed" amounts. Therefore, in the 2nd year, the rates for retirees could increase as much as 16%-21%.

Since Medicare Part B rates have increased an average of 8.9% the last several years, it is likely that the EUTF will have to either start charging retirees a portion of the monthly premiums or reduce benefits effective July 1, 2004. The EUTF Board wants to maintain benefit levels and avoid charging retirees monthly premiums.

Therefore, we support the adjustment in monthly employer contribution caps effective retroactively to July 1, 2002.

Proposed Retiree Rates

Retirees with Medicare - Single - Cap \$218.00				Retirees with Medicare - Family - Cap \$671.00						
	Medical and Drug	Dental	Vision	Total w/o Life	Increase	Medical and Drug	Dental	Vision	Total w/o Life	Increase
First Year										
HMSA/Rx/HDS/VSP	\$186.14	\$24.36	\$4.07	\$214.57		\$610.10	\$48.72	\$8.75	\$667.57	
Admin Costs	\$3.02	\$0.36	\$0.05	\$3.43		\$3.02	\$0.36	\$0.05	\$3.43	
Total	\$189.16	\$24.72	\$4.12	\$218.00		\$613.12	\$49.08	\$8.80	\$671.00	
Kaiser/Rx/HDS/VSP	\$144.84	\$24.36	\$4.07	\$173.27		\$446.08	\$48.72	\$8.75	\$503.55	
Admin Costs	\$3.02	\$0.36	\$0.05	\$3.43		\$3.02	\$0.36	\$0.05	\$3.43	
Total	\$147.86	\$24.72	\$4.12	\$176.70		\$449.10	\$49.08	\$8.80	\$506.98	
Second Year										
HMSA/Rx/HDS/VSP	\$220.90	\$25.84	\$4.07	\$250.81		\$724.09	\$51.68	\$8.75	\$784.52	
Admin Costs	\$2.53	\$0.30	\$0.06	\$2.89		\$2.53	\$0.30	\$0.05	\$2.88	
Total	\$223.43	\$26.14	\$4.13	\$253.70	16.38%	\$726.62	\$51.98	\$8.80	\$787.40	17.35%
Kaiser/Rx/HDS/VSP	\$177.76	\$25.84	\$4.07	\$207.67		\$547.60	\$51.68	\$8.75	\$608.03	
Admin Costs	\$2.53	\$0.30	\$0.06	\$2.89		\$2.53	\$0.30	\$0.05	\$2.89	
Total	\$180.29	\$26.14	\$4.13	\$210.56	19.16%	\$550.13	\$51.98	\$8.81	\$610.92	20.50%
Retirees without Medicare - Single - Cap \$342.00										
First Year										
HMSA/Rx/HDS/VSP	\$310.14	\$24.36	\$4.07	\$338.57		\$867.10	\$48.72	\$8.75	\$924.57	
Admin Costs	\$3.02	\$0.36	\$0.05	\$3.43		\$3.02	\$0.36	\$0.05	\$3.43	
Total	\$313.16	\$24.72	\$4.12	\$342.00		\$870.12	\$49.08	\$8.80	\$928.00	
Kaiser/Rx/HDS/VSP	\$308.16	\$24.36	\$4.07	\$336.59		\$835.08	\$48.72	\$8.75	\$892.55	
Admin Costs	\$3.02	\$0.36	\$0.05	\$3.43		\$3.02	\$0.36	\$0.05	\$3.43	
Total	\$311.18	\$24.72	\$4.12	\$340.02		\$838.10	\$49.08	\$8.80	\$895.98	
Second Year										
HMSA/Rx/HDS/VSP	\$365.01	\$25.84	\$4.07	\$394.92		\$1,020.50	\$51.68	\$8.75	\$1,080.93	
Admin Costs	\$2.53	\$0.30	\$0.05	\$2.88		\$2.53	\$0.30	\$0.05	\$2.89	
Total	\$367.54	\$26.14	\$4.12	\$397.80	16.32%	\$1,023.03	\$51.98	\$8.81	\$1,083.82	16.79%
Kaiser/Rx/HDS/VSP	\$378.28	\$25.84	\$4.07	\$408.19		\$1,025.04	\$51.68	\$8.75	\$1,085.47	
Admin Costs	\$2.53	\$0.30	\$0.06	\$2.89		\$2.53	\$0.30	\$0.05	\$2.89	
Total	\$380.81	\$26.14	\$4.13	\$411.08	20.90%	\$1,027.57	\$51.98	\$8.81	\$1,088.36	21.47%