Insurance: Professors' union official blames increasing costs on state program's one-size-fits-all approach

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percent, to $779.66 a month from $678.28. For Kaiser the family rate will jump 16.1 percent, to $736.74 from $634.32.

In the next year, starting July 2004, the rates have the potential to rise even higher under caps that have been approved. Kaiser's individual rate may jump as much as 31.6 percent. For families, Kaiser's rate may jump 32.4 percent.

It is possible that the actual rate increase for 2004 may not be so high, said Mark Fukuhara, executive director of the new Hawaii Employer-Union Health Benefits Trust Fund.

Kaiser had to set its rate high for 2004 because it does not want to give out rates that are lower than what it furnishes to the federal government, and the federal rates will not be set until later, Fukuhara said. Once that is done, Kaiser's rate to the state for 2004 could come out lower.

The rates were approved unanimously last week by the 10-member board of the Hawaii Employer-Union Health Benefits Trust Fund. The board has equal representation of management and unions.

Employee contributions to the cost of health insurance will be determined by individual workers' unions during collective bargaining. In the past, the state kicked in 60 percent of the cost for employees who opted into the state Hawaii Public Employees Health Fund.

Health insurance rates for active state employees

These rates were approved under the state's new plan joining all state employees and retirees under a single health fund.

Single	Current	July 2003	% increase	July 2004	% increase	Cumulative increase
HMSA*	$234.64	$263.94	12.5%	$298.96	13.3%	27.4%
Kaiser	$221.04	$251.00	13.6%	$330.42	31.6%	49.5%
Family	**Current**	**July 2003**	**% increase**	**July 2004**	**% increase**	**Cumulative increase**
HMSA	$678.28	$779.66	14.9%	$886.12	13.7%	30.6%
Kaiser	$634.32	$736.74	16.1%	$975.62	32.4%	53.8%

STAR-BULLETIN

Retirees will pay nothing for insurance coverage in the first year of the new program, and pending legislation may continue that benefit.

Of the 60,000 active state employees, two-thirds were enrolled in union health plans, while one-third picked the state health fund, as of last July. The 30,000 retired state employees have already been required to use the state's fund.

Two years ago the creation of the new Hawaii Employer-Union Health Benefits Trust Fund narrowly received approval in the state Senate on a 13-12 vote.

At the time, supporters of the fund said health-benefits costs would balloon 250 percent by 2013 if the state did nothing. A single health-benefits program was advocated by a 1999 state audit that was critical of the current system.

Will Miyake, executive assistant of the Hawaii Government Employees Association, said the state should allow unions to continue to offer their own health plans. The theory was that a huge state fund, covering 90,000 people, could attract competitive bids from large mainland insurers, but that has not happened, Miyake said.

The unions can get competitive rates from smaller insurers such as the University Health Alliance and the Hawaii Management Alliance Association, said Miyake, who is also a member of the new board that approved the rates.

Senate Majority Leader Colleen Hanabusa, a proponent of the new trust fund, said it is ironic that the unions agreed to the new rates but are criticizing them. Hanabusa (D, Waianae) said she doubts the unions could have come up with rates at less cost to the state.

Hopefully, the new trust fund would ultimately attract rates from other insurers or offer insurance itself, Hanabusa said.

A 1999 state audit accused unions of contributing to rising insurance costs for the state by putting younger, healthier employees and smaller families into union health plans. But the unions did not do it deliberately, Miyake said.

Miyake noted that the state's previous health fund was set up to encourage higher rates from insurance companies, because of the way the contracts were negotiated. The insurers had a financial incentive to set rates too high, Miyake said.

A bill passed last month by the state House would delay putting the new trust fund into effect until July 2004. The measure, House Bill 391, is scheduled to be heard tomorrow by the Senate Labor Committee.

There had been a question whether the fund would be ready to take effect this year. Union and management representatives on the fund's board could not agree on many issues, and the board could not meet for several months when two trustees resigned.

John Radcliffe, associate executive director of the 3,300-member University of Hawaii Professional Assembly, which represents UH professors, said the increased costs under the new plan are too high.

Radcliffe blamed the increase on the program's one-size-fits-all approach. For example, teachers are probably the only state employees who need vaccination for hepatitis B, but every state employee will end up getting coverage for it, he said. Radcliffe is also a trustee of the new state health fund.

"That in and of itself increased prices because you couldn't tailor-make your plan to your needs," Radcliffe said. Some 46 percent of the union's members had previously opted for union-sponsored health plans. Radcliffe could not say what rates would have been without the new law, but he asserted that the increase would not have been as painful.

In rebuttal, Hanabusa said the new board will be able to tailor the benefits to specific groups during collective bargaining.

The new rates were presented to the trust fund's board of trustees by a California medical benefits consulting firm, Garner Consulting, which negotiated with the insurance companies.

Most state workers and retirees typically opt for coverage by HMSA, Hawaii's dominant insurance company. Of employees covered by the state health fund, 72 percent picked HMSA, while 28 percent opted for Kaiser, as of last July. Among retirees, 81 percent picked HMSA, while 19 percent went for Kaiser.

Rates for a supplemental medical insurance carrier, Royal State National Insurance Co., are to be approved today.

Health plan cost may rise by as much as 54 percent

The hike for isle public employees is due to a universal trust fund

Star Bulletin 3/18/03

By Tim Ruel
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During the next two years, the cost of health insurance could jump between 27 percent and 54 percent for plans used by all 60,000 Hawaii public employees, under recently approved rates.

The increase is a result of a universal trust fund created by the Legislature in 2001 that kills the option of union-sponsored insurance plans, a move meant to control spiraling health insurance costs.

Public-employee unions, which spoke against the new policy when it became law two years ago, criticized the rate increase yesterday.

Under the law, all active and retired state employees will fall under a single health system starting July. Employees who opt for Hawaii Medical Service Association medical insurance will have their overall rate immediately jump 12.5 percent, to $263.94 a month from $234.64. Employees who pick Kaiser Permanente will have a 13.6 percent rate increase, to $251 from $221.04. The rates include medical, dental, drug and vision coverage, but not life insurance.

For employees who pick the family plan, the HMSA rate increase in July will be 15

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