

WELCOME TO

**THE HAWAII EMPLOYER-UNION  
HEALTH BENEFITS TRUST FUND**  
**Maui County Council**

2024



This presentation is a brief summary and does not constitute a legal document or contract and is subject to change.

# Operations

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1. Went live on a new benefits administration system in May 2022. Experienced significant difficulties. One of the main benefits is member self service. DOE, UH, Judiciary and COM new hires and all current employees are able to enroll/make changes by going to [eutfbenefits.hawaii.gov](http://eutfbenefits.hawaii.gov). Planning for a larger scale roll out of the member self service function in 2024.
2. FY2024-2025 Supplemental Budget Requests
  - Request for a fifth position to our Investment Office (2<sup>nd</sup> Investment Officer). The OPEB Trust is over \$7 billion and is projected to grow to \$10 billion in four years. Additionally, the EUTF is increasing investments in private markets including co-investments which require more staff resources.
  - \$300,000 for our new benefits administration system annual maintenance costs. Previous system was \$1.2 million versus \$1.5 million for the new system. FY22-23 and FY23-24 additional costs were covered by previous encumbrances.
3. 2023 Open Enrollment – continued move to HMSA 75/25
4. 7/1/23 Actuarial valuation results



# Retiree Benefits and OPEB

## What is EUTF Retiree Benefit?

### Employer Contribution

- Employer contributions to retiree (and dependents) health premiums
  1. Based on years of service and hire date. No employer contributions for dependents of retirees hired after 6/30/01.
  2. Equal to a percentage of the base monthly contribution (BMC), not the premium.
    - ✓ There are different BMCs for Medicare and non-Medicare; and self, two-party or family tiers.
    - ✓ The BMC increases at the same rate as Medicare Part B premiums

### Contribution Determination

- Employers reimburse retiree and spouse Medicare Part B premiums (Part B reimbursements) including income related monthly adjustment amounts (IRMAA), if hired prior to 7/1/23
  1. If eligible (65 and over or disabled), participants in EUTF retiree medical and/or prescription drug plans are required to enroll in Medicare Parts B and D (Kaiser and SilverScript handle Part D enrollment).
  2. Part B reimbursements are not dependent on hire date (spouses of employees hired 7/1/01 – 6/30/23 also receive the reimbursement), years of service and whether the retiree and spouse are enrolled in medical and or prescription drug plans.
  3. Part B reimbursements totaled \$118.4 million in FY23 (\$3.4 million for COM)
  4. Part B reimbursements represent over 22% (or \$136.3 million) and 28% (\$3.4 million) of COM's AAL and normal cost, respectively.
  5. Spouse Part B reimbursements are approximately 25% of total reimbursements.

### Medicare Part B Premium Reimbursement

### Retiree Benefits for Spouse

- Spouses of employees hired after 6/30/01 may enroll in the EUTF retiree plans but with no employer contributions to EUTF health plan premiums. Retirees pay EUTF premiums for dependent coverage.
- Medicare Part D premiums are NOT reimbursed.



## Retiree Benefits and OPEB

### What is the EUTF Retiree Benefit?

Retiree Hire Date and Years of Service	Employer Contribution %age of BMC
1) Retiree hired prior to 7/1/96	
< 10 years	50%
10 or more years	100%
2) Retiree hired after 6/30/96 and before 7/1/01	
< 10 years	0%
10-14 years	50%
15-24 years	75%
25 or more years	100%
3) Retiree hired after 6/30/01	
Same as 06/30/96-7/1/01 hires but self only coverage	
Surviving spouses of retirees step into the place of the retiree as long as they do not enter into another marriage or domestic partnership. For hires after 6/30/01, the surviving spouse receives ½ of the deceased retiree's benefit.	



# 2024 Legislative Session Proposed Bill

Amend HRS 87A-33(c) so that the Base Monthly Contribution (BMC) effective January 1, 2026 will be based on the change in Medicare Part B premiums from 2024 to 2025. We will know the BMC effective January 1, 2026 in mid-October to early November 2024, about one-year before retiree OE for 2026.

For the BMC effective January 1, 2025 (gap year), we propose use of 5.2% which is the 5- and 10-year annualized growth rate.

BMC Year	BMC Available	Change
<u>Current</u>		
2024	October 2023	2023 to 2024 Medicare Part B premiums
2025	Oct/Nov 2024	2024 to 2025 Medicare Part B premiums
2026	Oct/Nov 2025	2025 to 2026 Medicare Part B premiums
<u>Proposed</u>		
2024 (no change)	October 2023	2023 to 2024 Medicare Part B premiums
2025	Passage of bill	5.2%*
2026	Oct/Nov 2024	2024 to 2025 Medicare Part B premiums



1. Act 040 – Elimination of Part B reimbursements for spouses of new hires. Actuaries estimated a reduction in COM's ARC by \$64 million over the next 30 years.
2. Act 041 – Elimination of reimbursement of Medicare Part B income-related monthly adjustment amounts (IRMAA) for new hires and their spouses. Estimated reduction in COM's ARC of \$17 million over the next 30 years.

# Retiree Enrollment – Medical & Drug (Maui)

Medical	1/1/18	1/1/19	1/1/20	1/1/21	1/1/23	1/1/24	EUTF 1/1/24
<b>Maui Medicare</b>							
HMSA 90/10	67%	68%	66%	66%	65%	66%	83%
Kaiser Sr. Advantage	33	32	34	34	35	34	17
Humana	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>0.3</u>	<u>0.3</u>	<u>0.1</u>
Total Subscribers	1,012	1,063	1,092	1,156	1,253	1,291	
Percentage Change	2.3%	5.0%	2.7%	5.9%	4.1%	3.0%	
<b>Maui Non-Medicare</b>							
HMSA 90/10	67%	68%	66%	65%	66%	66%	83%
Kaiser Comp	<u>33</u>	<u>32</u>	<u>34</u>	<u>35</u>	<u>34</u>	<u>34</u>	<u>17</u>
Total Subscribers	384	398	433	457	459	468	
Percentage Change	-2.3%	3.6%	8.8%	5.5%	0%	2.0%	
<b>All Maui</b>							
Total Subscribers	1,396	1,461	1,525	1,613	1,712	1,759	
Percentage Change	1.0%	4.7%	4.4%	5.8%	3.0%	2.8%	

# Key Actuarial Measurements July 1, 2023

(\$ millions)	State of Hawaii	Honolulu w/ HART	County of Hawaii	County of Maui	County of Kauai	Kauai DOW	Honolulu BWS	Hawaii DWS
AAL	\$ 11,390	\$ 2,479	\$600	\$608	\$289	\$20	\$155	\$36
<u>AVA</u>	<u>4,479</u>	<u>1,230</u>	<u>328</u>	<u>464</u>	<u>214</u>	<u>16</u>	<u>124</u>	<u>28</u>
UAAL	\$ 6,912	\$ 1,249	\$272	\$145	\$75	\$4	\$31	\$7
Funded Ratio								
7/1/2020	21.0%	29.4%	36.4%	52.5%	53.4%	59.8%	58.8%	60.4%
7/1/2021	30.0%	36.0%	42.2%	60.2%	60.2%	66.4%	65.1%	63.5%
7/1/2022	35.0%	45.1%	50.4%	72.2%	71.2%	77.2%	76.5%	74.7%
7/1/2023	39.3%	49.6%	54.7%	76.2%	74.2%	80.0%	79.9%	79.3%
ARC as a % of Payroll								
FYE25	23.2%	26.4%	22.6%	19.6%	19.3%	15.9%	19.8%	18.9%
Normal Cost as a % of Payroll								
FYE26	6.4%							

- AAL – actuarial accrued liability
- AVA – actuarial value of assets
- UAAL – unfunded AAL



# Annual Change in Premiums, BMC and Investment Performance

	HMSA Post-65 Medical	HMSA Post-65 Rx	Kaiser Post-65	HMSA Pre-65 Medical	HMSA Pre-65 Rx	Kaiser Pre-65	BMC	Asset Return, Market Value	CPI
<b>2018</b>	4.6%	-24.5%	10.7%	4.6%	-18.5%	10.8%	0.0%	9.5%	1.6%
<b>2019</b>	1.3%	15.4%	1.4%	1.9%	7.3%	1.4%	1.1%	7.3%	2.9%
<b>2020</b>	9.2%	15.6%	-6.1%	9.1%	20.5%	-6.1%	6.7%	4.6%	1.6%
<b>2021</b>	2.0%	-1.1%	-1.4%	3.3%	-7.8%	-1.5%	2.7%	1.8%	0.6%
<b>2022</b>	-2.0%	2.2%	3.4%	-2.0%	0.9%	3.4%	14.5%	24.6%	5.4%
<b>2023</b>	-2.3%	5.6%	-6.0%	-3.9%	4.2%	-6.0%	-3.1%	-1.9%	9.1%
<b>2024</b>	7.6%	0.2%	4.8%	12.0%	7.3%	4.8%	5.9%	4.4%	3.0%
7-year average	<b>2.8%</b>	<b>1.1%</b>	<b>0.8%</b>	<b>3.4%</b>	<b>1.3%</b>	<b>0.8%</b>	<b>3.8%</b>	<b>6.9%</b>	<b>3.4%</b>



## Retiree Benefits and OPEB

### EUTF Retiree Benefit

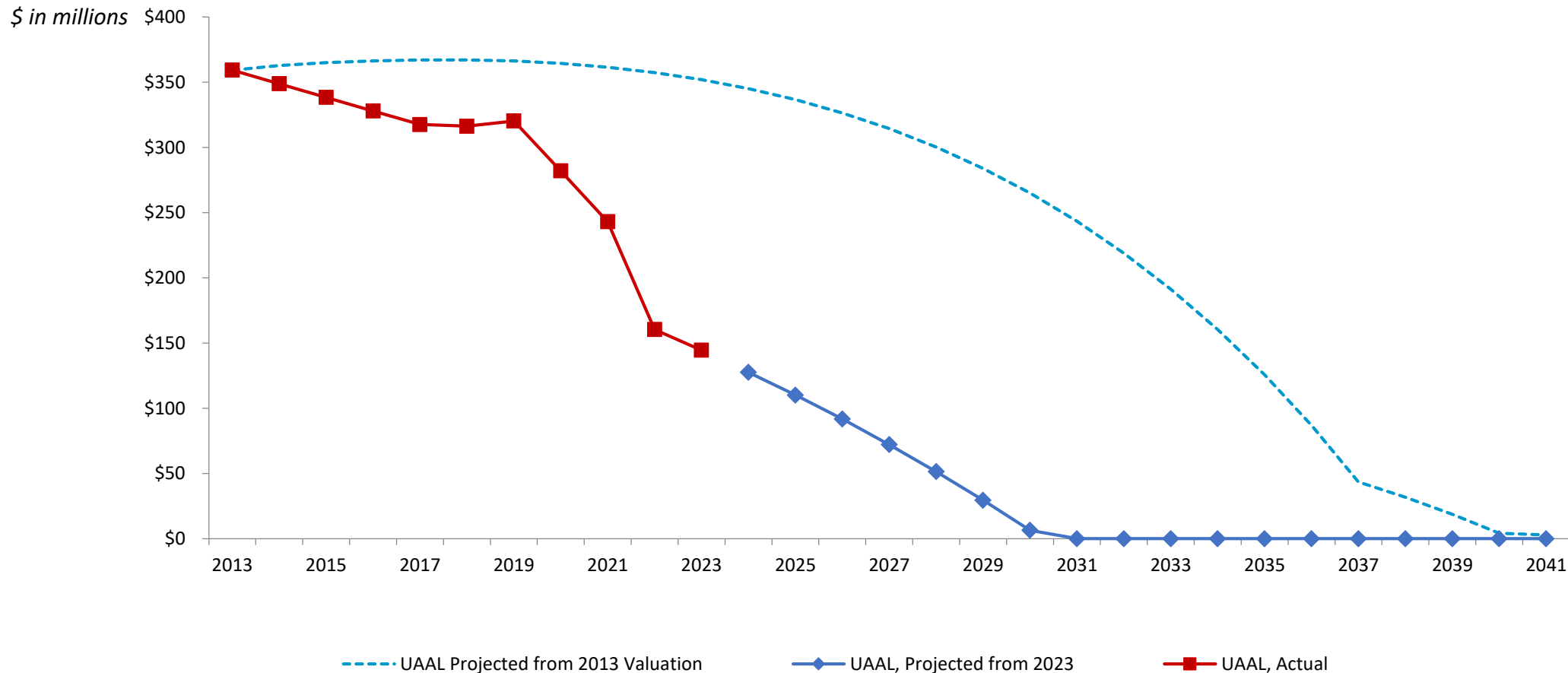
2024 BMC and Premiums	Humana	Kaiser	HMSA	100% BMC	75% BMC	50% BMC
<u>Medicare (including medical, Rx, dental and vision)</u>						
Self	\$335	\$510	\$534	\$872	\$654	\$436
2-Party	654	994	1,041	1,748	1,311	874
Family*	949	1,451	1,520	2,546	1,910	1,273
<u>Non-Medicare (including medical, Rx, dental and vision)</u>						
Self	NA	\$810	\$874	\$1,225	\$918	\$612
2-Party	NA	1,634	1,702	2,468	1,851	1,234
Family	NA	2,388	2,500	3,613	2,709	1,806

\* Enrollment in the Humana plan is limited to three people.



# Projections

Positive claims experience combined with disciplined funding have reduced the UAAL much sooner than originally projected. This reduces the interest paid and total contributions required to finance the benefits.

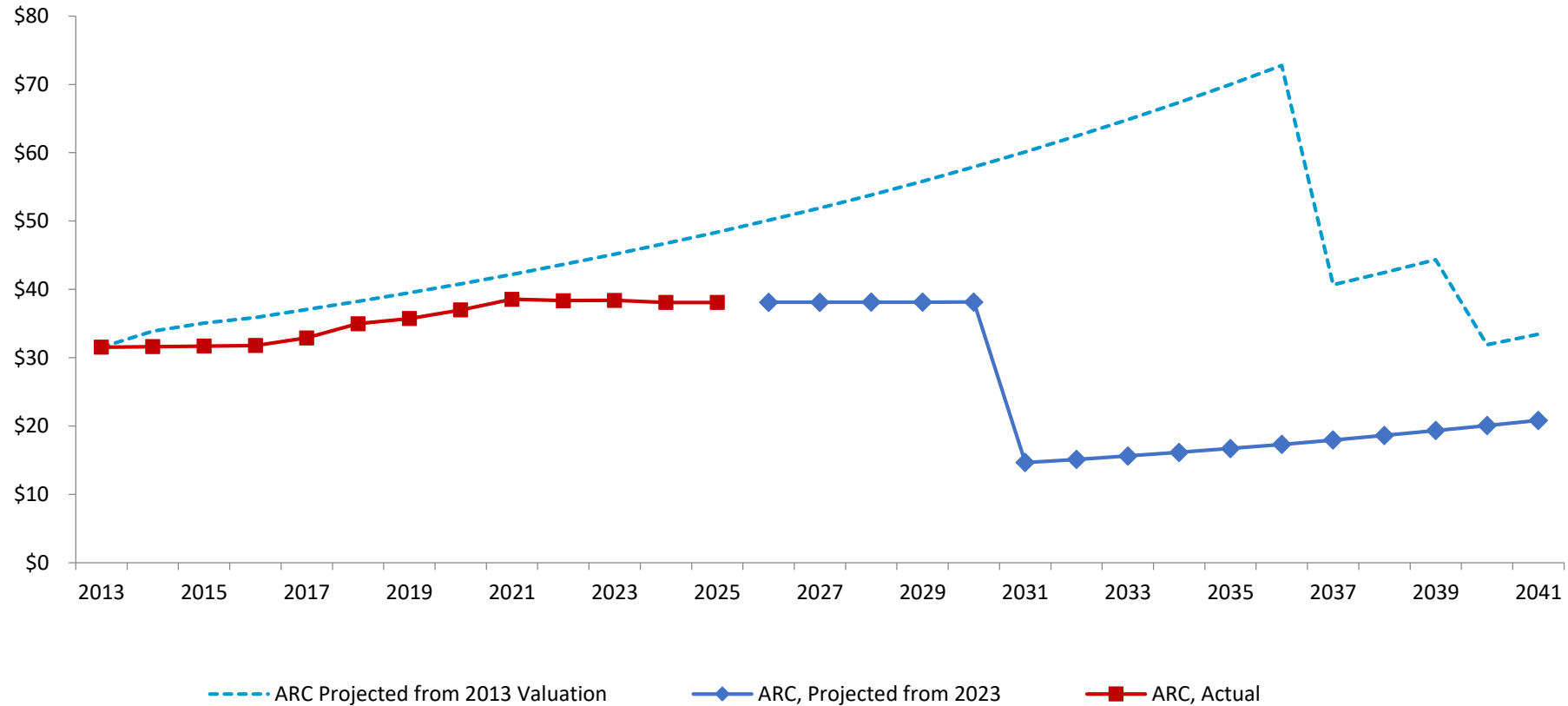




# Projections

While FY2026 contributions are about \$10 million less than original projections, that gap is expected to widen into the next decade.

*\$ in millions*



Full Funding of the ARC

Fiscal Year Ending	Payroll	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Unfunded AAL (UAAL)	Funded Ratio	Annual Required Contribution	Actual Contribution	Contribution as % of Payroll	Benefit Payment Total	Benefits as % of Payroll	ARC minus Benefit Payments
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
2024	\$192,109,000	\$608,261,000	\$463,772,000	\$144,489,000	76.2%	\$38,399,000	\$38,399,000	20.0%	\$24,193,000	12.6%	\$14,206,000
2025	197,872,000	638,433,000	510,898,000	127,535,000	80.0%	38,085,000	38,085,000	19.2%	25,968,000	13.1%	12,117,000
2026	203,808,000	669,259,000	559,161,000	110,098,000	83.5%	38,095,000	38,095,000	18.7%	27,741,000	13.6%	10,354,000
2027	209,923,000	700,799,000	608,977,000	91,822,000	86.9%	38,105,000	38,105,000	18.2%	29,764,000	14.2%	8,341,000
2028	216,220,000	732,330,000	660,198,000	72,132,000	90.2%	38,115,000	38,115,000	17.6%	31,843,000	14.7%	6,272,000
2029	222,707,000	764,215,000	712,862,000	51,353,000	93.3%	38,125,000	38,125,000	17.1%	34,109,000	15.3%	4,016,000
2030	229,388,000	796,331,000	766,878,000	29,453,000	96.3%	38,135,000	38,135,000	16.6%	36,391,000	15.9%	1,744,000
2031	236,270,000	828,712,000	822,324,000	6,388,000	99.2%	38,145,000	38,145,000	16.1%	38,748,000	16.4%	(603,000)
2032	243,358,000	879,222,000	879,222,000	0	100.0%	14,656,000	14,656,000	6.0%	41,123,000	16.9%	(26,467,000)
2033	250,659,000	913,347,000	913,347,000	0	100.0%	15,111,000	15,111,000	6.0%	43,580,000	17.4%	(28,469,000)
2034	258,179,000	947,790,000	947,790,000	0	100.0%	15,610,000	15,610,000	6.0%	45,931,000	17.8%	(30,321,000)
2035	265,924,000	982,726,000	982,726,000	0	100.0%	16,142,000	16,142,000	6.1%	48,112,000	18.1%	(31,970,000)
2036	273,902,000	1,018,401,000	1,018,401,000	0	100.0%	16,704,000	16,704,000	6.1%	50,386,000	18.4%	(33,682,000)
2037	282,119,000	1,054,801,000	1,054,801,000	0	100.0%	17,310,000	17,310,000	6.1%	52,697,000	18.7%	(35,387,000)
2038	290,582,000	1,091,983,000	1,091,983,000	0	100.0%	17,955,000	17,955,000	6.2%	55,230,000	19.0%	(37,275,000)
2039	299,300,000	1,129,814,000	1,129,814,000	0	100.0%	18,627,000	18,627,000	6.2%	57,910,000	19.3%	(39,283,000)
2040	308,279,000	1,168,215,000	1,168,215,000	0	100.0%	19,327,000	19,327,000	6.3%	60,473,000	19.6%	(41,146,000)
2041	317,527,000	1,207,375,000	1,207,375,000	0	100.0%	20,062,000	20,062,000	6.3%	63,000,000	19.8%	(42,938,000)
2042	327,053,000	1,247,421,000	1,247,421,000	0	100.0%	20,825,000	20,825,000	6.4%	65,551,000	20.0%	(44,726,000)
2043	336,864,000	1,288,419,000	1,288,419,000	0	100.0%	21,626,000	21,626,000	6.4%	68,166,000	20.2%	(46,540,000)
2044	346,970,000	1,330,408,000	1,330,408,000	0	100.0%	22,471,000	22,471,000	6.5%	70,634,000	20.4%	(48,163,000)
2045	357,379,000	1,373,656,000	1,373,656,000	0	100.0%	23,352,000	23,352,000	6.5%	73,168,000	20.5%	(49,816,000)
2046	368,101,000	1,418,220,000	1,418,220,000	0	100.0%	24,276,000	24,276,000	6.6%	75,853,000	20.6%	(51,577,000)
2047	379,144,000	1,464,080,000	1,464,080,000	0	100.0%	25,246,000	25,246,000	6.7%	78,512,000	20.7%	(53,266,000)
2048	390,518,000	1,511,402,000	1,511,402,000	0	100.0%	26,257,000	26,257,000	6.7%	81,045,000	20.8%	(54,788,000)
2049	402,234,000	1,560,460,000	1,560,460,000	0	100.0%	27,305,000	27,305,000	6.8%	83,680,000	20.8%	(56,375,000)
2050	414,301,000	1,611,308,000	1,611,308,000	0	100.0%	28,401,000	28,401,000	6.9%	86,419,000	20.9%	(58,018,000)
2051	426,730,000	1,664,014,000	1,664,014,000	0	100.0%	29,545,000	29,545,000	6.9%	89,189,000	20.9%	(59,644,000)
2052	439,532,000	1,718,725,000	1,718,725,000	0	100.0%	30,739,000	30,739,000	7.0%	92,052,000	20.9%	(61,313,000)
2053	452,718,000	1,775,537,000	1,775,537,000	0	100.0%	31,991,000	31,991,000	7.1%	95,033,000	21.0%	(63,042,000)
2054	466,299,000	1,834,535,000	1,834,535,000	0	100.0%	33,303,000	33,303,000	7.1%	98,029,000	21.0%	(64,726,000)
2055	480,288,000	1,895,919,000	1,895,919,000	0	100.0%	34,679,000	34,679,000	7.2%	101,072,000	21.0%	(66,393,000)
2056	494,697,000	1,959,873,000	1,959,873,000	0	100.0%	36,123,000	36,123,000	7.3%	104,169,000	21.1%	(68,046,000)
2057	509,538,000	2,026,591,000	2,026,591,000	0	100.0%	37,630,000	37,630,000	7.4%	107,462,000	21.1%	(69,832,000)

The projection includes liabilities for future employees.

# Maui County Annual Costs (in millions)

Retirees	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23
Medical and drug	\$12.9	\$13.8	\$14.5	\$16.1	\$17.0	\$17.4	\$17.6
Medical and drug increase	11.2%	7.0%	5.1%	11.0%	5.6%	1.8%	1.1%
Dental	0.9	1.0	1.1	1.1	1.2	1.3	1.3
Vision	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Life	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Maui County premiums	14.0	15.0	15.8	17.4	18.4	18.9	19.1
Retiree costs	0.1	0.2	0.2	0.3	0.3	0.3	0.3
Medicare Part B reimburse	<u>1.8</u>	<u>1.9</u>	<u>2.3</u>	<u>2.4</u>	<u>2.7</u>	<u>3.1</u>	<u>3.4</u>
Total costs	\$15.9	\$17.1	\$18.3	\$20.1	\$21.4	\$22.3	\$22.8
Total increase	11.2%	7.5%	7.0%	9.8%	6.5%	4.2%	2.2%



## Enrollment Trends

### Active Enrollment – Medical & Drug (EUTF)

Medical, Chiro and Rx	7/16	7/17	7/18	7/19	7/20	7/21	11/22	7/23	7/23 Counts	7/1/16 Self EE Monthly	7/1/17 Self EE Monthly	7/1/23 Self EE Monthly
<b>EUTF Plans</b>												
H - HMO	5%	3%	3%	2%	2%	2%	2%	1%	706	\$387	\$443	\$510
H - 90/10	13	10	9	8	7	6	6	5	2,492	312	345	508
K - Comp	14	13	12	11	10	10	9	9	4,038	211	247	353
<b>H - 80/20</b>	<b>49</b>	<b>36</b>	<b>33</b>	<b>29</b>	<b>27</b>	<b>26</b>	<b>24</b>	<b>23</b>	<b>10,987</b>	<b>215</b>	<b>234</b>	<b>302</b>
K – Stan.	12	14	15	17	18	18	19	19	9,014	66	59	50
<b>H - 75/25</b>	<b>5</b>	<b>22</b>	<b>27</b>	<b>31</b>	<b>34</b>	<b>37</b>	<b>39</b>	<b>41</b>	<b>19,272</b>	<b>142</b>	<b>54</b>	<b>49</b>
Supp.	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	587	17	17	14
Total EE	45,586	45,540	46,902	47,737	48,374	47,776	47,569	47,096				
Change	1.1%	-0.1%	3.0%	1.8%	1.3%	-0.1%	-0.4%	-1.0%				

# Active Enrollment – Medical & Drug (COM)

Medical, Chiro and Prescription Drug	7/1/16	7/1/17	7/1/18	7/1/19	7/1/20	11/22	7/1/23	EUTF 7/1/23
HMSA HMO	3%	2%	2%	1%	1%	1%	1%	1%
HMSA 90/10	9	7	6	5	4	3	3	5
HMSA 80/20	38	25	21	20	18	16	15	23
Kaiser Comp	27	23	20	19	17	14	14	9
Kaiser Standard	19	25	28	30	32	35	35	19
HMSA 75/25	3	18	22	24	27	30	31	41
Supplemental	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	1
Total Maui County	2,000	2,025	2,034	2,031	2,051	2,030	2,096	
Percentage Change	-1.7%	1.3%	0.4%	-0.1%	1.0%	-1.0%	3.3%	



# Maui County Annual Costs (in millions)

Active Employees	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23
Medical and drug	\$14.6	\$15.1	\$16.2	\$17.0	\$18.3	\$18.5	\$19.0
Dental	1.2	1.0	1.1	1.1	1.1	1.1	1.1
Vision	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Life	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Total Maui County	16.1	16.4	17.5	18.4	19.7	19.9	20.4
Maui County increase	6.6%	1.9%	6.7%	5.1%	7.1%	1.0%	2.5%
Employee costs	<u>9.6</u>	<u>8.5</u>	<u>7.8</u>	<u>7.9</u>	<u>7.9</u>	<u>8.5</u>	<u>8.2</u>
Employee percentage	37%	34%	31%	30%	29%	30%	29%
Total premiums	\$25.7	\$24.9	\$25.3	\$26.2	\$27.6	\$28.4	\$28.6
Total increase	3.2%	-3.1%	1.6%	3.6%	5.3%	2.9%	0.1%

# Appendix





# Background





# Fully-Insured, Fully-Insured with Refunding and Self-Insured Plans

## Fully Insured Plans



**Risk of loss and gain is retained by the insurer.**

**EUTF pays an insurance charge.**

Kaiser medical, prescription drug, and chiropractic; Humana Medicare Advantage medical and Securian life plans

## Fully Insured with Refunding



**Risk of loss is retained by the insurer but gains are returned to EUTF.**

**EUTF pays an insurance charge.**

HMSA medical, HDS dental and VSP vision plans

## Self Insured Plans



**Risk of loss and gain is retained by the EUTF.**

**There is no insurance charge.**

Prescription drug (pharmacy benefit manager CVS and SilverScript) and supplemental medical and prescription drug plans (administered by HMA)

**The EUTF Board with the advice of their benefits consultant evaluates whether to fully insure, fully insure with refunding, or self insure during each RFP cycle.**



## How carriers are selected



A Request for proposals is issued



Contracts up to four years inclusive of extensions.



Medical and prescription drug contract extensions end 12/31/24 for retirees and 6/30/25 for active employees. RFP completed.



Dental, vision and life insurance contract extensions end 12/31/26 for retirees and 6/30/27 for active employees.

# HMSA Medical/Prescription Drug Plans

In-network benefit	HMO	90/10 PPO	80/20 PPO	75/25 PPO
Calendar year maximum out-of-pocket (MOOP) (Single/Family)	\$1,500/\$3,000 (Rx \$4,350/\$8,700)	\$2,000/\$4,000 (Rx \$4,350/\$8,700)	\$2,500/\$5,000 (Rx \$4,350/\$8,700)	\$5,000/\$10,000 (Rx \$3,150/\$6,300)
Deductible (Single/Family)	None	None	None	\$300/\$900
Employee (EE) Share of Costs				
Inpatient services	No charge	10%	20%	25%
Outpatient services (e.g., physician visits, DXL, surgery)	No charge or \$15	10%	20%	25%
Emergency room	\$100	10%	20%	25%
Prescription Drug Benefits	Copayments/coinsurance and prescription drugs covered are the same. Only difference is the MOOP noted above.			
# of EEs Enrolled at 12/1/23	723	2,526	11,035	19,766
%age of Total EEs Enrolled at 12/1/23	2%	5%	23%	41%
<b>EE's <u>Monthly</u> Share of Premiums 7/1/23</b>				
Self	\$509.94	\$507.50	\$302.24	\$48.56
Two-Party	1,238.98	1,232.92	734.10	117.90
Family	1,580.00	1,572.20	935.88	150.28

# Kaiser Permanente Medical/Prescription Drug Plans

In-network benefit	Comprehensive	Standard
Calendar year maximum out-of-pocket including prescription drugs (MOOP) (Single/Family)	\$2,000/\$6,000	\$2,500/\$7,500
Deductible (Single/Family)	None	None
Employee (EE) Share of Costs		
Inpatient services	No charge	15%
Outpatient services (e.g., physician visits, DXL, surgery)	\$15	\$20, 15% or 20%
Emergency room	\$50	\$100
Prescription Drug Benefits	See Employee Health Benefits Reference Guide for details. In general, the Comprehensive plan has lower copayments than the Standard plan.	
# of EEs Enrolled at 12/1/23	4,073	9,276
%age of Total EEs Enrolled at 12/1/23	8%	19%
<b>EE's <u>Monthly</u> Share of Premiums 7/1/23</b>		
Self	\$352.54	\$50.00
Two-Party	857.22	121.50
Family	1,094.48	155.00



# Retiree Benefits and OPEB

## Retiree Medical and Prescription Drug Plan Options

### Non-Medicare

- HMSA 90/10 PPO medical plan – similar to the active employee HMSA 90/10 plan but with no chiro (\$582 self per month – 1/1/24)
- CVS non-Medicare prescription drug plan – same drugs covered as the CVS active employee plan with a richer benefit (e.g. \$5/\$15/\$30 30-day generic, preferred and non-preferred, respectively, versus \$5/\$25/\$50 for active CVS plans). Plan is not bundled with the HMSA medical plan. There's no spread pricing. (\$244 self per month)
- Kaiser HMO medical and prescription drug plan – similar to the Kaiser Comprehensive active employee plan (same annual maximum-out-of-pocket and emergency room, physician office visit and inpatient charges) but with no chiro. (\$763 self per month)





# Retiree Benefits and OPEB

## Retiree Medical and Prescription Drug Plan Options

### Medicare

- HMSA 90/10 PPO medical plan – plan coordinates with Medicare Parts A and B. Charge is first paid by Medicare (e.g. if physician charge is \$100, Medicare generally pays 80%) with the remaining (\$20) paid by HMSA. The HMSA plan without Medicare would have paid 90% or \$90 but is only left with \$20 to pay, so it pays the full \$20. Oftentimes, the member does not have any copayment/coinsurance. No chiro. (\$252 self per month – 1/1/24).
- Humana Medicare Advantage medical plan – plan combines Medicare Parts A and B in a 90/10 PPO plan. Humana pays claims and receives subsidies from CMS. There is no claim payment coordination with Medicare. No chiro. (\$52 self per month).
- SilverScript (subsidiary of CVS) prescription drug plan – Medicare Part D plan called an employer group waiver plan (EGWP) with a wrap. Similar drugs covered as the CVS active employee and non-Medicare plans but differences in preferred or non-preferred status. There is no claim payment coordination with Medicare. The plan pays the claims from the pharmacies (i.e. no spread pricing) and receives Part D subsidies (47% of net plan costs). (\$236 self per month)
- Kaiser Senior Advantage medical and prescription drug plan – plan combines Medicare Parts A, B and D into a HMO plan with benefits similar to the non-Medicare Kaiser plan. Kaiser pays claims and receives subsidies from CMS. There is no claim payment coordination with Medicare. No chiro. (\$463 self per month).



## Retiree Benefits and OPEB

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### What is OPEB and how is it funded?

- OPEB stands for other postemployment benefits
  - ✓ The unfunded actuarial accrued liability (UAAL) is the difference between the actuarial accrued liability (AAL) and the actuarial value of assets (AVA).
  - ✓ The funded ratio is the AVA divided by the AAL.
- Generally prior to FY2014, the State and counties only paid the retiree premiums (pay-as-you-go).
- Act 268, SLH 2013 requires employers to fully fund the annual required contribution (ARC) beginning in FY 18-19 (phase in began FY 14-15). The ARC is comprised of the normal cost and an amortization payment to paydown the UAAL over 30 years.



### Ways to address the UAAL - Assets

- Achieve higher returns than the 7% hurdle rate within prudent levels of risk
- Act 30, SLH 2016 – expanded the EUTF's permissible investments to include all asset classes of the ERS including private equity, real estate and credit; and options and futures
- Investment office of four staff (new position added in FY2024) works with investment consultants, Meketa and Callan, to manage the investment portfolio.
- Additional payments by the COM are invested immediately with the benefits going only to the COM.



## Retiree Benefits and OPEB

### OPEB Investment Returns

▪	Investment hurdle:	7.0%	
▪	Historical net returns	<b>EUTF (net)</b>	<b>Median (gross)</b>
1.	07/01/11 – 06/30/12:	5.9%	1.1%
2.	07/01/12 – 06/30/13:	9.3	12.1
3.	07/01/13 – 06/30/14:	15.3	16.9
4.	07/01/14 – 06/30/15:	3.1	3.4
5.	07/01/15 – 06/30/16:	2.6	0.5
6.	07/01/16 – 06/30/17:	9.5	12.7
7.	07/01/17 – 06/30/18:	7.4	8.7
8.	07/01/18 – 06/30/19:	4.1	5.9
9.	07/01/19 – 06/30/20:	1.8	1.2
10.	07/01/20 – 06/30/21:	27.7	26.7
11.	07/01/21 – 06/30/22:	-1.8	-7.4
12.	07/01/22 – 06/30/23:	4.6	7.9
	07/01/11 – 06/30/23:	7.2	7.6



## Retiree Benefits and OPEB

## OPEB Assets (Continued)

Strategy	Investment Vehicle	6/30/23	LT Target
Aggressive Growth			
Private Equity/Non-Core RE	Active partnerships	11%	15%
U.S. Microcap	Active separate accounts	6	3
Traditional Growth			
U.S. Equity	Passive commingled	18	16
Non-U.S. Equity	Passive commingled	13	11.5
Stabilized Growth			
Global Options	Active separate accounts	6	0
Real Assets	Active partnerships	10	12
Private Credit	Active partnerships	7	10
Diversifying			
TIPS	Active commingled	5	5
U.S. Treasuries	Passive separate	5	5.5
Alternative Risk Premia	Active separate accounts	3	5
Trend Following	Active separate/commingled	10	10
Reinsurance	Active separate	6	5
Tail Risk/Long Volatility	Active separate	0	2



### Measures Taken Over the Past 5-10 Years to Address the AAL

1. Management of medical and prescription drug claims trend and premiums – member education (e.g. emergency room utilization, generic and mail order prescription drug usage, advance care directives) and HMSA payment transformation and new benefits (e.g. palliative care program). Utilization management programs on the non-Medicare retiree prescription drug plan.
2. Maximize Medicare program subsidies – increased subsidies under the EGWP plan (2013 and 2019) and added a low premium Medicare Advantage medical plan.
3. Claims audits – auditing all plan years since our current pharmacy benefit manager began providing service back to 2012 and also conducting periodic audits of the other benefit plans. These will continue.
4. Enrollment audits – removal of ineligible people (e.g. ineligible adult children, ex-spouses, surviving spouses who remarry, unreported deaths, non-payment of Medicare Part B premiums), verification of retiree status and category, and timely termination of Medicare Part B reimbursements.



### Limitations on Measures to Address the AAL

1. Dannenberg lawsuit – Hawaii Supreme Court ruled that accrued retiree health benefits are protected by the State Constitution. Significant restrictions on changes to the current retiree health benefit for retirees; vested, terminated employees; and current employees.
2. Current benefit has been reduced by 50% (combined impact of the 1996 and 2001 changes). Normal cost is less than 7% of pay.



### Future Measures To Address the AAL

#### 1. Legislative Action

**It should not be assumed that the items listed below are supported by the EUTF Board**

- A. Limiting new hires to a medical and prescription drug plan with a lower benefit when they retiree (e.g. 90/10 medical plan and a prescription drug plan equal to the current CVS active employee plans). Actuaries estimated a reduction in the State's ARC by \$1.1 billion over the next 30 years.
- B. New tiers (i.e. 1996 and 2001 changes).





## Retiree Benefits and OPEB

### Future Measures To Address the AAL

#### 1. Legislative Action (continued)

C. Repeal or modification of Act 226, SLH 2013 which prohibits mandatory mail or copayment incentives for 90-day maintenance prescriptions through mail order or Longs Drugs.

i. Eliminating the prohibition on mandatory mail or allow copayment incentives for mail order and Longs Drugs, or other strategic narrow network of pharmacies for 90-day maintenance medication.

- Pro – reduction in EUTF plan costs of approximately \$1.8 million (\$1.3 million actives and \$550,000 non-Medicare retirees)
- Pro – reduction in the UAAL by approximately \$12.0 million.
- Con – negative impact to non-Longs Drugs pharmacies and members who do not like mail order or are not near a Longs Drugs.



## Retiree Benefits and OPEB

### Future Measures To Address the AAL

#### 1. Legislative Action (continued)

- C. Repeal or modification of Act 226, SLH 2013 which prohibits exclusive dispensing of specialty medication from the EUTF's pharmacy benefit manager (PBM).
  - ii. Allowing EUTF to require that members only obtain their specialty medication through the PBM.
    - Pro – better clinical patient management of complex, chronic disease. Care coordination with dedicated pharmacists and nurses who are experts in the disease type.
    - Pro – reduction in EUTF plan costs, including specialty rebate programs, by approximately \$5.7 million (\$4.4 million actives and \$1.3 million non-Medicare retirees)
    - Pro – reduction in the UAAL by approximately \$28.4 million.
    - Con – negative impact to non-PBM specialty pharmacies and members who are not near a PBM specialty pharmacy.
      - There are approximately 3,000 active and non-Medicare retire plan members obtaining specialty medication of which 54% obtain them from the PBM. The PBM can have the specialty medication delivered through Longs Drugs or by mail.



### Future Measures To Address the AAL

2. No legislative action to increase the BMC and allow it to continue to increase with Medicare Part B premium increases.
3. EUTF Action – manage the claims trend and premiums
  - A. Working with the benefits consultant and carriers to implement programs to improve member health and to obtain cost effective treatment.
    - i. Pilot diabetes management and prevention programs and clinically manage complex, chronic diseases.
    - ii. Provide support for members with chronic conditions (e.g. oncology, obesity and musculoskeletal).
    - iii. Encourage healthy behaviors – regular visits to primary care providers, annual dental cleanings and eye exams, screenings and vaccinations.
    - iv. Educate members of wasteful spend on medications with no clinical efficacy and eliminated unnecessary spend.
    - v. Identify and encourage members to utilize cost effective providers.



# Enrollment Trends

## Retiree Enrollment – Medical & Drug (EUTF)

Medical	1/1/20	1/1/21	1/1/22	1/1/23	1/1/22 - Self Med & Rx	1/1/24 - Self Med & Rx
<b>EUTF Medicare</b>						
HMSA 90/10	83%	83%	83%	83%	\$481	\$487
Kaiser Sr. Adva.	17	17	17	17	469	463
Humana Advantage	<u>NA</u>	<u>0.07</u>	<u>0.1</u>	<u>0.1</u>	267	287
Total Subscribers	38,166	39,015	40,019	40,993		
Percentage Change	4.2%	2.2%	0.4%	2.4%		
<b>EUTF Non-Medicare</b>						
HMSA 90/10	84%	83%	83%	83%	804	826
Kaiser Comp	<u>16</u>	<u>17</u>	17	17	774	763
Total Subscribers	6,670	6,640	6,610	6,602		
Percentage Change	-12.7%	-0.4%	0.1%	0.0%		
<b>All EUTF</b>						
Total Subscribers	44,836	45,655	46,629	47,595		
Percentage Change	1.4%	1.8%	0.4%	2.1%		



## Premium Trends

### Active Premium Trends (EUTF)

EUTF Medical and Prescription Drug Plans	Premiums 1/1/12 excluding ACA and EUTF fees	Premiums 7/1/23 excluding ACA and EUTF fees	Annualized Growth (with drug)	Nat'l Trend
HMSA 90/10 medical	\$341.54	\$775.14	7.4% (7.3%*)	6.4%
HMSA 80/20 medical	325.90	569.88	5.0 (5.3*)	6.4
HMSA 75/25 medical (from 7/1/13)	307.38	392.80	2.5 (3.4*)	6.4
HMSA HMO medical	387.86	777.58	6.2 (6.4*)	6.5
Prescription drug	60.80	134.20*	7.1*	8.1
Kaiser Comp HMO medical & drug	430.72	805.90	w/drug 5.6	6.5 medical 8.1 Rx
Kaiser Standard HMO medical & drug (from 7/1/13)	323.92	499.98	w/drug 4.4	6.5 medical 8.1 Rx

\* Amount represents and percentage utilizes the composite CVS self-funded prescription drug premiums for all EUTF self-funded prescription drug plans.

# MAHALO



## BFED Committee

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**From:** James G. Krueger  
**Sent:** Monday, March 4, 2024 8:36 AM  
**To:** BFED Committee  
**Subject:** FW: EUTF Update for Maui County Budget, Finance, and Economic Development Committee - March 5, 2024, 9:00 a.m.  
**Attachments:** 24.03.05 EUTF presentation for Maui County Council.pdf

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**From:** Mizuno, Derek M <derek.m.mizuno@hawaii.gov>  
**Sent:** Friday, March 1, 2024 11:19 AM  
**To:** James G. Krueger <James.Krueger@mauicounty.us>  
**Cc:** Kasie M. Takayama <Kasie.Apotakayama@mauicounty.us>  
**Subject:** RE: EUTF Update for Maui County Budget, Finance, and Economic Development Committee - March 5, 2024, 9:00 a.m.

You don't often get email from [derek.m.mizuno@hawaii.gov](mailto:derek.m.mizuno@hawaii.gov). [Learn why this is important](#)

James – here's my presentation.

Derek Mizuno  
EUTF  
(808)586-1681

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