



Hawaii Employer-Union Health Benefits Trust Fund Maui County Council February 28, 2019

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EUB-24(9)

Agenda

- Background
- Enrollment Trends
- Historical Costs
- Premium Trends
- Recent Plan Changes
- 2019 Legislative Proposals
- Retiree Benefits and OPEB

Background

- **Established** July 1, 2003, HRS 87-A is the governing document
- **Governed by** 10 Trustees, 5 employer and 5 employee
- **Trustees vote** Each group of trustees collectively has one vote (3 trustees of the group must vote affirmatively), two votes are needed to pass a motion
- **Employees** State and County employees covered – 67,000 plus 60,000 dependents
- **Retirees** State and County retirees covered – 45,000 plus 20,000 dependents

Background

Fully Insured Plans

- Active – Kaiser Comprehensive and Standard medical, prescription drug, and chiropractic; and USABLE life insurance (Securian 7/1/19)
- Retiree – Kaiser Medicare Advantage and non-Medicare medical and prescription drug, and Securian Life

Fully Insured with One-Way Risk Sharing

- Active – HMSA PPO and HMO medical, HDS dental and VSP vision plans
- Retirees – HMSA Medicare and non-Medicare PPO medical, HDS dental and VSP vision plans

Self Insured Plans

- Active and Retiree – prescription drug plan (pharmacy benefit manager CVS active and non-Medicare retirees, and SilverScript Medicare retirees)
- Active – HMA supplemental medical and prescription drug plan

Background

How carriers are selected

- Request for proposals
- One year contracts with possible two (medical and prescription drug) or three (dental, vision and life) one-year extensions
- Medical and prescription drug contract extensions end 12/31/20 for retirees and 6/30/21 for active employees.
- Dental, vision and life insurance contract extensions end 12/31/22 for retirees and 6/30/23 for active employees.

Background (Active Employee Plans)

HMSA

- 90/10 PPO – calendar year maximum out-of-pocket (MOOP) \$2,000 single/\$4,000 family medical only, 10% member cost share for most services and no in-network deductible
- 80/20 PPO – calendar year MOOP \$2,500 single/\$5,000 family medical only, 20% member cost share for most services and no in-network deductible
- 75/25 PPO – calendar year MOOP \$5,000 single/\$10,000 family medical only, 25% member cost share for most services and \$300 single/\$900 family calendar year in-network deductible
- HMO – benefits limited to in-network providers, calendar year MOOP \$1,500 single/\$3,000 family, fixed copayments for most services including no copayment for inpatient hospital stays and no deductible

Background (Active Employee Plans)

Kaiser

- Standard – benefits limited to Kaiser except for emergency and urgent care services, calendar year MOOP \$2,500 single/\$7,500 family medical and prescription drug, higher cost share for services (e.g. 15% inpatient services) and no deductible
- Comprehensive – benefits limited to Kaiser except for emergency and urgent care services, calendar MOOP \$2,000 single/\$6,000 family medical and prescription drug, lower cost share for services including no copayment for inpatient hospital stays and no deductible

Active Enrollment – Medical & Drug (EUTF)

Medical, Chiro and Prescription Drug	7/1/14	7/1/15	7/1/16 Counts	7/1/16	7/1/17 Counts	7/1/17	7/1/18 Counts	7/1/18	7/1/16 Self EE Monthly	7/1/17 Self EE Monthly	7/1/18 Self EE Monthly
EUTF Plans											
H - HMO	6%	5%	2,201	5%	1,570	3%	1,288	3%	\$387	\$443	\$438
H - 90/10	15	14	6,019	13	4,613	10	4,121	9	312	345	337
K - Comp	16	15	6,617	14	5,746	13	5,450	12	211	247	261
H - 80/20	51	50	22,167	49	16,460	36	15,271	33	215	234	220
K – Stan.	8	10	5,629	12	6,446	14	7,259	15	66	59	64
H - 75/25	3	4	2,202	5	9,933	22	12,748	27	142	54	59
Supp.	<u>1</u>	<u>2</u>	<u>751</u>	2	<u>772</u>	2	<u>765</u>	2	17	17	13
Total EE	44,510	45,104	45,586		45,540		46,902				
Change	3.1%	1.3%	1.1%		-0.1%		3.0%				

Active Enrollment – Medical & Drug (Maui)

Medical, Chiro and Prescription Drug	7/1/13	7/1/14	7/1/15	7/1/16	7/1/17	7/1/18	EUTF 7/1/18
HMSA HMO	4%	4%	4%	3%	2%	2%	3%
HMSA 90/10	11	10	10	9	7	6	9
Kaiser Comp	31	30	28	27	23	20	12
HMSA 80/20	44	42	40	38	25	21	33
Kaiser Standard	8	12	15	19	25	28	15
HMSA 75/25	1	1	2	3	18	22	27
Supplemental	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	2
Total Maui County	2,002	2,020	2,034	2,000	2,025	2,034	
Percentage Change		0.9%	0.7%	-1.7%	1.3%	0.4%	

Active Enrollment – Medical & Drug (HSTA VB)

Medical, Chiro, Vision and Prescription Drug	7/1/14	7/1/15	7/1/16 Counts	7/1/16	7/1/17 Counts	7/1/17	7/1/18 Counts	7/1/18	7/1/17 Self EE Monthly (w/vision)	7/1/17 Self EE Monthly (w/vision)	7/1/18 Self EE Monthly (w/vision)
HSTA VB Plans											
H - 90/10	30%	29%	1,796	29%	1,443	28%	1,288	27%	\$309	\$310	\$298
K - Comp	19	18	1,155	18	1,019	19	953	20	192	215	227
H - 80/20	51	53	3,307	53	2,789	53	2,581	54	190	209	193
Supp.	<u>NA</u>	<u>NA</u>	<u>NA</u>	NA	<u>NA</u>	NA	<u>NA</u>	NA	NA	NA	NA
Total EE	7,208	6,712	6,258		5,251		4,822				
Change	-10.9%	-6.9%	-6.8%		-16.1%		-8.2%				
All Plans											
Total EE	51,718	51,816	51,844		50,791		51,724				
Change	0.9%	0.2%	0.05%		-2.0%		1.8%				

Retiree Enrollment – Medical & Drug (EUTF)

Medical	1/1/15	1/1/16	1/1/17	1/1/18	1/1/19	1/1/18 Self Total Mthly Med & Rx	1/1/19 Self Total Mthly Med & Rx
EUTF Medicare							
HMSA 90/10	82%	82%	82%	82%	85%	\$399	\$428
Kaiser Sr. Advantage	18	18	18	18	15	483	490
UHC Advantage	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>	<u>NA</u>	<u>NA</u>	NA	NA
Total Subscribers	33,374	34,268	35,382	36,344	36,624		
Percentage Change	3.5%	2.7%	3.3%	2.7%	0.7%		
EUTF Non-Medicare							
HMSA 90/10	84%	84%	83%	84%	86%	702	725
Kaiser Comp	<u>16</u>	<u>16</u>	<u>17</u>	<u>16</u>	<u>14</u>	798	809
Total Subscribers	6,966	6,794	6,830	6,944	7,600		
Percentage Change	-7.3%	-2.5%	0.5%	1.7%	9.4%		
All EUTF							
Total Subscribers	40,340	41,062	42,212	43,288	44,224		
Percentage Change	1.5%	1.8%	2.8%	2.5%	2.2%		

Retiree Enrollment – Medical & Drug (Maui)

Medical	1/1/14	1/1/15	1/1/16	1/1/17	1/1/18	1/1/19	EUTF 1/1/19
Maui Medicare							
HMSA 90/10	65%	66%	66%	67%	67%	68%	85%
Kaiser Sr. Advantage	35	34	34	33	33	32	15
UHC Advantage	<u>NA</u>	<u>0.2</u>	<u>0.3</u>	<u>0.4</u>	<u>NA</u>	<u>NA</u>	NA
Total Subscribers	854	901	952	989	1,012	1,063	
Percentage Change		5.5%	5.7%	3.9%	2.3%	5.0%	
Maui Non-Medicare							
HMSA 90/10	70	68	66%	66%	67%	68%	86%
Kaiser Comp	<u>30</u>	<u>32</u>	<u>34</u>	<u>34</u>	<u>33</u>	<u>32</u>	<u>14</u>
Total Subscribers	366	371	385	392	384	398	
Percentage Change		1.4%	3.8%	2.1%	-2.3%	3.6%	
All Maui							
Total Subscribers	1,220	1,272	1,337	1,381	1,396	1,461	
Percentage Change		4.3%	5.1%	3.4%	1.0%	4.7%	

Maui County Annual Costs (in millions)

Active Employees	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18
Maui County costs						
Medical and drug	\$11.1	\$11.8	\$13.2	\$13.6	\$14.6	\$15.1
Dental	1.1	1.2	1.2	1.2	1.2	1.0
Vision	0.1	0.1	0.1	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>
Total Maui County	12.4	13.2	14.6	15.1	16.1	16.4
Maui County increase		6.3%	10.8%	3.1%	6.6%	1.9%
Employee costs	<u>8.8</u>	<u>9.1</u>	<u>9.2</u>	<u>9.8</u>	<u>9.6</u>	<u>8.5</u>
Employee percentage	41.5%	40.7%	38.5%	39.3%	37.2%	34%
Total premiums	\$21.2	\$22.3	\$23.8	\$24.9	\$25.7	\$24.9
Total increase		5.0%	6.8%	4.5%	3.2%	-3.1%

Maui County Annual Costs (in millions)

Retirees	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18
Maui County costs						
Medical and drug	\$9.8	\$10.1	\$10.4	\$11.6	\$12.9	\$13.8
Medical and drug increase		3.5%	2.1%	11.7%	11.2%	7.0%
Dental	0.6	0.7	0.7	0.8	0.9	1.0
Vision	0.1	0.1	0.1	0.1	0.1	0.1
Life	<u>0.0</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Maui County premiums	10.5	11.0	11.3	12.6	14.0	15.0
Retiree costs	0.1	0.1	0.1	0.1	0.1	0.2
Medicare Part B reimburse	<u>1.3</u>	<u>1.4</u>	<u>1.5</u>	<u>1.6</u>	<u>1.8</u>	<u>1.9</u>
Total costs	\$11.9	\$12.5	\$12.9	\$14.3	\$15.9	\$17.1
Total increase		4.8%	2.6%	11.4%	11.2%	7.5%

Active Premium Trend (EUTF)

EUTF Medical and Prescription Drug Plans	Premiums 1/1/12 excluding ACA and EUTF fees	Premiums 7/1/19 excluding ACA and EUTF fees	Annualized Growth (with drug)	Nat'l Trend
HMSA 90/10 medical	\$341.54	\$597.84	7.7% (8.2%*)	6.6%
HMSA 80/20 medical	325.90	466.04	4.9 (6.0*)	6.6
HMSA 75/25 medical (from 7/1/13)	307.38	307.92	0.0 (2.5*)	6.8
HMSA HMO medical	387.86	702.22	8.2 (8.6*)	6.5
Prescription drug	60.80	130.88*	10.8*	7.7
Kaiser Comp HMO medical & drug	430.72	620.96	w/drug 5.0	See above
Kaiser Standard HMO medical & drug (from 7/1/13)	323.92	402.20	w/drug 3.7	See above

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

Active Premium Trend (HSTA VB)

HSTA VB Medical and Prescription Drug Plans	Premiums 1/1/12 excluding ACA and EUTF fees	Premiums 7/1/19 excluding ACA and EUTF fees	Annualized Growth (with drug)	National Trend
HMSA 90/10 medical	\$405.40	\$514.42	3.2% (4.8%)	6.6%
HMSA 80/20 medical	257.18	404.34	6.2 (7.6)	6.6
Prescription drug	59.96	145.40	12.5	7.7
Kaiser Comp medical & drug	378.76	547.14	w/drug 5.0	HMO 6.5 Drug 7.7

Retiree Premium Trend (EUTF)

EUTF Medical and Prescription Drug Plans	Premiums 1/1/12 excluding ACA and EUTF fees	Premiums 1/1/19 excluding ACA and EUTF fees	Annualized Growth (with drug)	Nat'l Trend
Medicare				
HMSA 90/10 medical	\$175.88	\$237.26	4.4% (1.7%)	4.1%
Prescription drug	203.54	190.26	-1.0	7.8
Kaiser Comp medical & drug	362.76	489.90	w/drug 4.4	HMO 3.3 Rx 7.8
Non-Medicare				
HMSA 90/10 medical	379.24	529.90	4.9 (5.8)	6.6
Prescription drug	109.56	194.76	8.6	8.4
Kaiser Comp medical & drug	657.04	808.70	w/drug 3.0	HMO 6.4 Rx 8.4

1/1/19 Changes for Retirees

EUTF and HSTA VB Non-Medicare HMSA Plans

- Diabetes Prevention Program (added to all Medicare plans 4/1/18)
- Genetic counseling benefit

EUTF and HSTA VB VSP Vision Plans

- \$120 frame allowance every other year at all in-network providers

EUTF and HSTA VB Life Insurance

- Provided by Securian (Minnesota Life Insurance) – benefit decrease from \$2,235 to \$1,815
- 100% accelerated death benefit



7/1/19 Changes for Actives

HMSA/CVS and Kaiser Medical and Prescription Drug Plans

- BU12 (SHOPO) will no longer have separate premiums. BU12 premiums will be the same as all other non HSTA VB employees. Estimated 1% premium decrease for non-SHOPO members.

HMSA Medical

- Annual physical exam changed to Annual Preventative Health Exam
- Diabetes prevention program (e.g. YMCA) added to HSTA VB plans (already in EUTF plans 7/1/18)

Kaiser

- Diabetes prevention program (YMCA and online based) added to EUTF and HSTA VB plans



7/1/19 Changes for Actives

CVS Prescription Drug Plans (EUTF only)

- Two trial generic step therapy for high blood pressure, pain, acid reflux and urinary incontinence. First two with grandfathering.
- Specialty tier change from 20%, \$250 Rx max and \$2,000 annual max to:
 - ✓ Generic 10% (\$200 Rx max)
 - ✓ Preferred 20% (\$300 Rx max)
 - ✓ Non-preferred 30% (\$400 Rx max)
 - ✓ Annual max of \$2,500



7/1/19 Changes for Actives

Dental Plan

- Additional cleanings and/or fluoride for high risk members with cancer, stroke, heart attack, congestive heart failure, kidney failure, and organ transplants (plan already has additional cleanings and/or fluoride for diabetes and pregnancy)

Vision Plan

- \$120 frame allowance every other year at all in-network providers

Life Insurance

- Life insurance will be provided by Securian (Minnesota Life Insurance) – benefit decrease from \$41,116 to \$38,505



2019 Proposed Legislation

Amendments to Comply with Federal and State Laws (HB979/SB1205)

1

- Conforms the HRS to ACA in the definition of a dependent-beneficiary by removing the unmarried and living with the employee-beneficiary requirements
- Modifies language to conform with HRS 572 regarding civil unions

2019 Proposed Legislation (Continued)

2

Amends 87A-1, definitions of “dependent-beneficiary” and “employee-beneficiary” (HB978/SB1204)

- Excludes children born to and adopted by a surviving spouse 10 months after the death of an employee killed in the performance of duty, employee eligible to retire at the time of death and the death of a retiree (this portion is similar to prior year bill SB 2761/HB 2334)
- Treats surviving dependents of deceased retirees like other dependents for non-ACA plans (i.e. coverage up to age 19 and if a full-time student up to age 24). Currently, surviving dependents of deceased retirees receive coverage up to age 19 only.

Budget Biennium 2019-2021

1. Request \$9.956 million in FY20 and \$367,167 in FY21 for a new benefits administration system.
 - Public Consulting Group (PCG) procured to conduct a feasibility study.
 - Recommendation to conduct a RFP including leveraging the State's current contract, software upgrade is not an option.
 - Main benefits – member self service and less manual processing.
2. Compliance Officer

EUTF Retiree Benefit

- The employer contribution is based on the base monthly contribution or BMC (HRS 87A 33-36). The BMC increases at the same rate that Medicare Part B premiums increase.
- The employer contributes a percentage of the BMC based on the hire date and years of service.
- The Medicare Part B premium reimbursement is not dependent on hire date, years of service and whether they are enrolled in plans. This represents 17.5% (or \$97.1 million) of the OPEB liability.
- Spouses of employees hired after 6/30/01 may enroll in the EUTF retiree plans and receive Medicare Part B premium reimbursement.

EUTF Retiree Benefit

Hire Date and Years of Service	Employer Contribution %age of BMC
1) Hired prior to 7/1/96	
< 10 years	50%
10 or more years	100%
2) 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) 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 .	

EUTF Retiree Benefit

2019	Kaiser	HMSA	100% BMC*	75% BMC*	50% BMC*
<u>Medicare (including medical, Rx, dental and vision)</u>					
Self	\$535	\$472	\$678	\$508	\$339
2-Party	1,043	920	1,358	1,018	679
Family	1,524	1,343	1,978	1,483	989
<u>Non-Medicare (including medical, Rx, dental and vision)</u>					
Self	\$853	\$769	\$951	\$713	\$476
2-Party	1,721	1,499	1,917	1,438	958
Family	2,518	2,201	2,806	2,104	1,403

OPEB Background (Assets)

- OPEB stands for other postemployment benefits
- Generally, the State and counties have funded OPEB on a pay as you go basis
- 06/30/13 – OPEB Trust established by the EUTF
- The OPEB Trust is an agent multiple employer trust. Assets are commingled and invested. Each individual employer's assets, liabilities, contributions, payments and risks are segregated and accounted for individually
- The ERS is a cost sharing multiple employer trust. All assets, liabilities, contributions and risks are commingled.

OPEB Assets – Contributions

- Pay as you go versus annual required contribution (ARC)
- The ARC is comprised of the normal cost and amortization of the unfunded liability over a period of 30 years
- Act 268, SLH 2013 requires the employers to fully fund the ARC beginning in FY 18-19 (phase in began FY 14-15).
- As of 12/31/18, the OPEB Trust is at \$2.7 billion (COM \$237.8 million)
- Projected to increase in 5 (6/30/23) and 10-years (6/30/28) to \$6.4 billion (COM \$427.7 million) and \$11.7 billion (COM \$669.2 million), respectively.

OPEB Assets – Investment Returns

▪ Investment hurdle:	7.0%
▪ Historical net returns	
1. 07/01/11 – 06/30/12:	5.9%
2. 07/01/12 – 06/30/13:	9.3
3. 07/01/13 – 06/30/14:	15.3
4. 07/01/14 – 06/30/15:	3.1
5. 07/01/15 – 06/30/16:	2.6
6. 07/01/16 – 06/30/17:	9.5
7. 07/01/17 – 06/30/18:	7.3
07/01/11 – 12/31/18:	6.1

OPEB Assets (continued)

Strategy	Investment Vehicle	12/31/18	LT Target
Aggressive Growth			
Private Equity/Non-Core RE	Active partnerships	0.5%	10%
U.S. Microcap	Active separate accounts	8.5	7
Traditional Growth			
U.S. Equity	Passive commingled	19	15
Non-U.S. Equity	Passive commingled	19	17
U.S. REITS	Passive separate account	7	0
Stabilized Growth			
Global Options	Active separate accounts	7	7
Core Real Estate	Active partnerships	9	10
Private Credit	Active partnerships	0	6
Diversifying			
Core Fixed Income	Passive commingled	3	3
TIPS	Active commingled	8	5
U.S. Treasuries	Passive separate	7	6
Alternative Risk Premia	Active separate accounts	5	5
Trend Following	Active separate/commingled	7	9

OPEB Background (Liability)

- Last actuarial valuation conducted as of 07/01/18. Valuations are conducted annually.
 1. Overall results were slightly better than projections.
- Assumptions
 1. Utilizes the same assumptions as the ERS valuation on mortality, termination rates, retirement rates
 2. Future health benefit inflation
 3. Discount or investment return rate of 7%
- Actuarial accrued liability equals the present value of the projected employer contributions to health benefit premiums for current retirees, deferred inactive retirees and current employees (based on service earned to date).

OPEB Background (Liability) (continued)

As of 7/1/18 (millions)	State	CCON	COH	COM	COK	BWS	H-DWS	K-DWS	HART	All
Actuarial accrued liability (AAL)	\$10,705	\$2,358	\$551	\$553	\$262	\$153	\$34	\$17	\$7	\$14,641
Market value of assets	1,291	465	150	237	113	80	17	9	1	2,363
Unfunded AAL (UAAL)	9,414	1,893	401	316	149	73	17	8	6	12,278
Funded ratio 7/1/18	12.1%	19.7%	27.3%	42.9%	43.0%	52.2%	51.2%	51.7%	15.1%	16.1%
Funded ratio 7/1/17	8.6%	16.6%	24.4%	39.3%	40.1%	49.0%	46.9%	49.0%	10.3%	12.8%
Funded ratio 7/1/15	2.4%	12.1%	19.6%	33.4%	32.0%	37.0%	40.2%	40.4%	2.1%	6.7%
Funded ratio 7/1/13	0.0%	6.9%	16.1%	7.0%	22.3%	20.9%	29.7%	30.6%	0.3%	2.6%
FY2019 ARC	\$787	\$177	\$40	\$35	\$17	\$8	\$2	\$1	\$0.8	\$1,068
01/31/19 Mkt value	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

Projection of Funding Progress

Fiscal Year Ending	Payroll	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Unfunded AAL (UAAL)	Funded Ratio	Annual Required Contribution	Contribution as % of Payroll	Benefit Payment Total	Benefits as % of Payroll	Additional Cost of Prefunding
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
2019	\$ 173,448,000	\$ 553,585,000	\$ 237,272,000	\$ 316,313,000	42.9%	\$ 34,967,000	20.2%	\$ 17,461,000	10.1%	\$ 17,506,000
2020	179,519,000	587,292,000	272,130,000	315,162,000	46.3%	35,732,000	19.9%	19,180,000	10.7%	16,552,000
2021	185,802,000	622,038,000	308,447,000	313,591,000	49.6%	36,984,000	19.9%	21,182,000	11.4%	15,802,000
2022	192,305,000	657,615,000	346,532,000	311,083,000	52.7%	38,091,000	19.8%	23,237,000	12.1%	14,854,000
2023	199,036,000	693,899,000	386,117,000	307,782,000	55.6%	39,422,000	19.8%	25,334,000	12.7%	14,088,000
2024	206,002,000	731,063,000	427,671,000	303,392,000	58.5%	40,836,000	19.8%	27,531,000	13.4%	13,305,000
2025	213,212,000	769,111,000	471,314,000	297,797,000	61.3%	42,317,000	19.8%	29,889,000	14.0%	12,428,000
2026	220,675,000	807,976,000	517,099,000	290,877,000	64.0%	43,875,000	19.9%	32,196,000	14.6%	11,679,000
2027	228,399,000	847,812,000	565,313,000	282,499,000	66.7%	45,513,000	19.9%	34,740,000	15.2%	10,773,000
2028	236,392,000	888,492,000	615,961,000	272,531,000	69.3%	47,237,000	20.0%	37,389,000	15.8%	9,848,000
2029	244,666,000	930,020,000	669,195,000	260,825,000	72.0%	49,042,000	20.0%	40,200,000	16.4%	8,842,000
2030	253,230,000	972,335,000	725,113,000	247,222,000	74.6%	50,938,000	20.1%	43,038,000	17.0%	7,900,000
2031	262,093,000	1,015,520,000	783,968,000	231,552,000	77.2%	52,924,000	20.2%	45,856,000	17.5%	7,068,000
2032	271,266,000	1,059,711,000	846,079,000	213,632,000	79.8%	55,003,000	20.3%	48,582,000	17.9%	6,421,000
2033	280,760,000	1,105,128,000	911,866,000	193,262,000	82.5%	57,176,000	20.4%	51,376,000	18.3%	5,800,000
2034	290,587,000	1,151,842,000	981,613,000	170,229,000	85.2%	59,452,000	20.5%	54,052,000	18.6%	5,400,000
2035	300,757,000	1,200,131,000	1,055,826,000	144,305,000	88.0%	61,836,000	20.6%	56,601,000	18.8%	5,235,000
2036	311,284,000	1,250,300,000	1,135,060,000	115,240,000	90.8%	64,329,000	20.7%	59,087,000	19.0%	5,242,000
2037	322,179,000	1,302,615,000	1,219,844,000	82,771,000	93.6%	66,936,000	20.8%	61,738,000	19.2%	5,198,000
2038	333,455,000	1,357,124,000	1,310,514,000	46,610,000	96.6%	34,735,000	10.4%	64,770,000	19.4%	(30,035,000)
2039	345,126,000	1,413,651,000	1,371,083,000	42,568,000	97.0%	36,340,000	10.5%	67,937,000	19.7%	(31,597,000)
2040	357,205,000	1,472,259,000	1,434,272,000	37,987,000	97.4%	38,017,000	10.6%	71,008,000	19.9%	(32,991,000)
2041	369,707,000	1,533,261,000	1,500,440,000	32,821,000	97.9%	37,585,000	10.2%	74,072,000	20.0%	(36,487,000)
2042	382,647,000	1,596,895,000	1,567,619,000	29,276,000	98.2%	39,332,000	10.3%	77,231,000	20.2%	(37,899,000)
2043	396,040,000	1,663,313,000	1,638,035,000	25,278,000	98.5%	41,155,000	10.4%	80,544,000	20.3%	(39,389,000)
2044	409,901,000	1,732,624,000	1,711,836,000	20,788,000	98.8%	43,056,000	10.5%	83,819,000	20.4%	(40,763,000)
2045	424,248,000	1,805,142,000	1,789,377,000	15,765,000	99.1%	45,046,000	10.6%	87,187,000	20.6%	(42,141,000)
2046	439,096,000	1,881,079,000	1,870,917,000	10,162,000	99.5%	47,126,000	10.7%	90,730,000	20.7%	(43,604,000)
2047	454,465,000	1,960,580,000	1,956,647,000	3,933,000	99.8%	44,410,000	9.8%	94,332,000	20.8%	(49,922,000)
2048	470,371,000	2,043,924,000	2,041,837,000	2,087,000	99.9%	46,511,000	9.9%	97,911,000	20.8%	(51,400,000)
2049	486,834,000	2,131,458,000	2,131,458,000	0	100.0%	46,502,000	9.6%	101,544,000	20.9%	(55,042,000)
2050	503,873,000	2,223,580,000	2,223,580,000	0	100.0%	48,721,000	9.7%	105,386,000	20.9%	(56,665,000)

The projection includes liabilities for future employees.

Ways to Address the AAL

1. Enrollment audits
2. Favorable pricing from service providers and adherence to the contracts
3. Reducing the health benefits claims trend
4. Medicare Part B reimbursements
5. Cost shifting from the employers to the retirees
 - Shifting more premiums to the retirees
 - Shifting more out-of-pocket costs to the retiree

Enrollment Audits

1. Completed and ongoing projects over the last 18 months

- Adult disabled children (actives) – estimated annual savings of \$26,000 (10 terminations) – recurring every seven years)
- Unreported divorces (actives and retirees) –\$289,000 (77) – recurring monthly
- Domestic partner recertification (retirees) –\$151,000 (20) – recurring every five years
- Surviving spouse remarriage –\$93,000 (25) – recurring every other month
- Single and two party plans (actives and retirees) – \$21,000 (14) – recurring annually
- Medicare Savings Program (retirees) - \$45,000 (36) – recurring quarterly
- Death validation

Enrollment Audits (continued)

2. Future Audits

- Verification of employee and retiree eligibility
- Domestic partner recertification (actives)
- Certification of dependents (actives and retirees)

Reducing the Health Benefits Claims Trend (continued)

1. Price inflation

- HMSA payment transformation

2. Utilization

- Education on how to use the benefits – e.g. mail order and generic drug, emergency room utilization and advance care planning.
- Plan design – incentives, addition of annual physical examination benefit at 100%, and advance care planning
- Prescription drug programs
- Disease management programs
- Wellness programs

Shifting More Premiums to the Retirees

1. Over the years the legislature has reduced the benefits for new employees, most recently for new hires after 6/30/01.
 - Tier 1 (pre 7/1/96) retirees to Tier 2 (7/1/96 – 6/30/01) retirees was a 24% reduction in benefits.
 - Tier 2 retirees to Tier 3 (7/1/01 and later) was a 29% reduction in benefits.
 - Tier 3 normal cost is approximately 7% of payroll with a longer term rate of 10% of payroll.
2. The BMC serves as a cap on the employer contributions for retiree premiums and has the potential to serve as a cap on the carriers premiums. The BMC increases with Medicare Part B premiums. However, the cap was increased by the legislature effective 1/1/14.

Shifting More Out-Of-Pocket Costs to the Retiree

- Dannenberg lawsuit – Hawaii Supreme Court ruled that accrued retiree health benefits is protected by the State Constitution
- Recent changes to enhance retiree benefits – colonoscopy screenings for non-Medicare HMSA retirees, increase in the retiree dental maximum and annual physical examinations for HMSA retirees.
- New plan design for new hires

Medicare Part B Reimbursements

Reduce Medicare Part B reimbursements (e.g. for new hires, elimination of income adjustments to the Medicare Part B reimbursements – estimated \$178 million reduction in the AAL – and Medicare Part B reimbursements to spouses – estimated \$670 million reduction in the AAL).



Thank you
