

EDB Committee

From: Kim, Lori <lori.kim@hawaii.gov>
Sent: Wednesday, March 25, 2020 9:51 AM
To: EDB Committee
Cc: Shelly K. Espeleta
Subject: RE: Maui Budget Committee Meeting ERS & EUTF Presentations
Attachments: 20.03.30 EUTF presentation for Maui County Council (Draft 2).pdf

Hi,

Apologies. Derek asked if you could replace the EUTF presentation with this one.

Thank you,
Lori

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END CONFIDENTIALITY STATEMENT

From: Kim, Lori
Sent: Wednesday, March 25, 2020 9:43 AM
To: edb.committee@mauicounty.us
Cc: Shelly Espeleta (shelly.espeleta@mauicounty.us) <shelly.espeleta@mauicounty.us>
Subject: Maui Budget Committee Meeting ERS & EUTF Presentations

Aloha,

Attached are the presentations from ERS and EUTF for Monday's Budget Committee meeting. ERS is final but EUTF is still a draft. These are being sent for a walk through later today. If you have any questions, please feel free to contact me.

Mahalo,
Lori

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WELCOME TO

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

2020



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



Background



Enrollment Trends



Historical Costs



Premium Trends



Recent Plan Changes



2020 Legislative Proposals



Retiree Benefits and OPEB

AGENDA



Background





Background

Fully Insured Plans



Active – Kaiser Comprehensive and Standard medical, prescription drug, and chiropractic; and Securian

Retiree – Kaiser Medicare Advantage and non-Medicare medical and prescription drug, and Securian Life

Fully Insured with One-Way Risk Sharing



Active – HMSA medical, HDS dental and VSP vision plans

Retirees – HMSA Medicare and non-Medicare 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



How carriers are selected



A Request for proposal is made



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.



Enrollment Trends

Active Enrollment – Medical & Drug (EUTF)

Medical, Chiro and Rx	7/1/16 Counts	7/1/16	7/1/17	7/1/18	7/1/19 Counts	7/1/19	7/1/16 Self EE Monthly	7/1/17 Self EE Monthly	7/1/20 Self EE Monthly
EUTF Plans									
H - HMO	2,201	5%	3%	3%	1,079	2%	\$387	\$443	\$502
H - 90/10	6,019	13	10	9	3,692	8	312	345	386
H - 80/20	22,167	49	36	33	14,077	29	215	234	248
K - Comp	6,617	14	13	12	5,240	11	211	247	269
K – Stan.	5,629	12	14	15	8,058	17	66	59	67
H - 75/25	2,202	5	22	27	14,813	31	142	54	64
Supp.	<u>751</u>	2	<u>2</u>	<u>2</u>	<u>778</u>	2	17	17	14
Total EE	45,586		45,540	46,902	47,737				
Change	1.1%		-0.1%	3.0%	1.8%				

Active Enrollment – Medical & Drug (Maui)

Medical, Chiro and Prescription Drug	7/1/14	7/1/15	7/1/16	7/1/17	7/1/18	7/1/19	EUTF 7/1/19
HMSA HMO	4%	4%	3%	2%	2%	1%	2%
HMSA 90/10	10	10	9	7	6	5	8
Kaiser Comp	30	28	27	23	20	19	11
HMSA 80/20	42	40	38	25	21	20	29
Kaiser Standard	12	15	19	25	28	30	17
HMSA 75/25	1	2	3	18	22	24	31
Supplemental	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	2
Total Maui County	2,020	2,034	2,000	2,025	2,034	2,031	
Percentage Change	0.9%	0.7%	-1.7%	1.3%	0.4%	%	



Enrollment Trends

Active Enrollment – Medical & Drug (HSTA VB and Totals)

Medical, Chiro, Vision and Rx	7/1/16 Counts	7/1/16	7/1/17 Counts	7/1/17	7/1/18 Counts	7/1/18	7/1/19 Counts	7/1/19	7/1/19 Self EE Monthly	7/1/20 Self EE Monthly
HSTA VB Plans										
H - 90/10	1,796	29%	1,443	28%	1,288	27%	1,164	26%	\$336	\$338
K - Comp	1,155	18	1,019	19	953	20	882	20	218	229
H - 80/20	<u>3,307</u>	53	<u>2,789</u>	53	<u>2,581</u>	54	<u>2,363</u>	54	224	222
Total EE	<u>6,258</u>		<u>5,251</u>		<u>4,822</u>		<u>4,409</u>			
Change	-6.8%		-16.1%		-8.2%		-8.6%			
All Plans										
Total EE	51,844		50,791		51,724		52,146			
Change	0.05%		-2.0%		1.8%		0.8%			



Enrollment Trends

Retiree Enrollment – Medical & Drug (EUTF)

Medical	1/1/16	1/1/17	1/1/18	1/1/19	1/1/20	1/1/19 - Self Med & Rx	1/1/20 - Self Med & Rx
EUTF Medicare							
HMSA 90/10	82%	82%	82%	85%	83%	\$428	\$479
Kaiser Sr. Adva.	18	18	18	15	17	490	460
UHC Advantage	<u>0.2</u>	<u>0.2</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	NA	NA
Total Subscribers	34,268	35,382	36,344	36,624	38,166		
Percentage Change	2.7%	3.3%	2.7%	0.7%	4.2%		
EUTF Non-Medicare							
HMSA 90/10	84%	83%	84%	86%	84%	725	812
Kaiser Comp	<u>16</u>	<u>17</u>	<u>16</u>	<u>14</u>	<u>16</u>	809	760
Total Subscribers	6,794	6,830	6,944	7,600	6,670		
Percentage Change	-2.5%	0.5%	1.7%	9.4%	-12.7%		
All EUTF							
Total Subscribers	41,062	42,212	43,288	44,224	44,836		
Percentage Change	1.8%	2.8%	2.5%	2.2%	1.4%		

Retiree Enrollment – Medical & Drug (Maui)

Medical	1/1/15	1/1/16	1/1/17	1/1/18	1/1/19	1/1/20	EUTF 1/1/20
Maui Medicare							
HMSA 90/10	66%	66%	67%	67%	68%	66%	83%
Kaiser Sr. Advantage	34	34	33	33	32	34	17
UHC Advantage	<u>0.2</u>	<u>0.3</u>	<u>0.4</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	NA
Total Subscribers	901	952	989	1,012	1,063	1,092	
Percentage Change	5.5%	5.7%	3.9%	2.3%	5.0%	2.7%	
Maui Non-Medicare							
HMSA 90/10	68	66%	66%	67%	68%	66%	84%
Kaiser Comp	<u>32</u>	<u>34</u>	<u>34</u>	<u>33</u>	<u>32</u>	<u>34</u>	<u>16</u>
Total Subscribers	371	385	392	384	398	433	
Percentage Change	1.4%	3.8%	2.1%	-2.3%	3.6%	8.8%	
All Maui							
Total Subscribers	1,272	1,337	1,381	1,396	1,461	1,525	
Percentage Change	4.3%	5.1%	3.4%	1.0%	4.7%	4.4%	

Maui County Annual Costs (in millions)

Active Employees	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/18
Maui County costs						
Medical and drug	\$11.8	\$13.2	\$13.6	\$14.6	\$15.1	\$16.2
Dental	1.2	1.2	1.2	1.2	1.0	1.1
Vision	0.1	0.1	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>
Total Maui County	13.2	14.6	15.1	16.1	16.4	17.5
Maui County increase	6.3%	10.8%	3.1%	6.6%	1.9%	6.7%
Employee costs	<u>9.1</u>	<u>9.2</u>	<u>9.8</u>	<u>9.6</u>	<u>8.5</u>	<u>7.8</u>
Employee percentage	40.7%	38.5%	39.3%	37.2%	34%	31%
Total premiums	\$22.3	\$23.8	\$24.9	\$25.7	\$24.9	\$25.3
Total increase	5.0%	6.8%	4.5%	3.2%	-3.1%	1.6%

Maui County Annual Costs (in millions)

Retirees	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/18
Maui County costs						
Medical and drug	\$10.1	\$10.4	\$11.6	\$12.9	\$13.8	\$14.5
Medical and drug increase	3.5%	2.1%	11.7%	11.2%	7.0%	5.1%
Dental	0.7	0.7	0.8	0.9	1.0	1.1
Vision	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>
Maui County premiums	11.0	11.3	12.6	14.0	15.0	15.8
Retiree costs	0.1	0.1	0.1	0.1	0.2	0.2
Medicare Part B reimburse	<u>1.4</u>	<u>1.5</u>	<u>1.6</u>	<u>1.8</u>	<u>1.9</u>	<u>2.3</u>
Total costs	\$12.5	\$12.9	\$14.3	\$15.9	\$17.1	\$18.3
Total increase	4.8%	2.6%	11.4%	11.2%	7.5%	7.0%



Premium Trends

Active Premium Trends (EUTF)

EUTF Medical and Prescription Drug Plans	Premiums 1/1/12 excluding ACA and EUTF fees	Premiums 7/1/20 excluding ACA and EUTF fees	Annualized Growth (with drug)	Nat'l Trend
HMSA 90/10 medical	\$341.54	\$647.60	7.8% (7.8%*)	6.5%
HMSA 80/20 medical	325.90	511.12	5.4 (5.9*)	6.5
HMSA 75/25 medical (from 7/1/13)	307.38	321.04	0.6 (2.1*)	6.7
HMSA HMO medical	387.86	702.22	8.3 (8.2*)	6.3
Prescription drug	60.80	130.88*	8.0*	7.5
Kaiser Comp HMO medical & drug	430.72	620.96	w/drug 5.6	See above
Kaiser Standard HMO medical & drug (from 7/1/13)	323.92	402.20	w/drug 4.0	See above

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



Premium Trends

Retiree Premium Trends (EUTF)

EUTF Medical and Prescription Drug Plans	Premiums 1/1/12 excluding ACA and EUTF fees	Premiums 1/1/20 excluding ACA and EUTF fees	Annualized Growth (with drug)	Nat'l Trend
Medicare				
HMSA 90/10 medical	\$175.88	\$251.10	4.5% (2.7%)	4.0%
Prescription drug	203.54	220.00	1.0	7.5
Kaiser Comp medical & drug	362.76	459.74	w/drug 3.0	HMO 3.5 Rx 7.5
Non-Medicare				
HMSA 90/10 medical	379.24	560.70	5.0 (6.3)	6.5
Prescription drug	109.56	234.66	10.0	7.5
Kaiser Comp medical & drug	657.04	752.84	w/drug 1.7	HMO 6.3 Rx 7.5



Recent Plan Changes (7/1/20 Actives)

HMSA Medical

EUTF and HSTA VB

Coverage of 3D digital breast tomosynthesis mammograms

Air ambulance coverage from Hawaii to the continental U.S. for critical care treatment when commercial travel is not an option because of the need for life supporting equipment and/or medical support

Kaiser Med and Rx

EUTF

Coverage of hearing aids at 40% per ear every 36 months

VSP Vision Plan

EUTF and HSTA VB

Increase of frame allowance every other year from \$120 to \$150

Increase annual contact lens benefit from \$120 to \$130

Separation of contact lens fitting and evaluation from the contact lens benefit and cap at \$60 copayment



Recent Plan Changes (1/1/20 Retirees)

HMSA Medical

EUTF and HSTA VB

Coverage of 3D digital breast tomosynthesis mammograms

Air ambulance coverage from Hawaii to the continental U.S. for critical care treatment when commercial travel is not an option because of the need for life supporting equipment and/or medical support

VSP Vision

EUTF and HSTA VB

100% in-network coverage of standard progressive lenses



1

Mandate New Retirees After 7/1/20 Pay Any Required Premiums Through an ERS Pension or a Financial Institution (ACH) Deduction



The 2,300 retirees who currently pay premiums are split 37% ERS, 34% ACH and 29% check.

If the entire retiree membership 49,600 had to pay premiums, eliminating the checks would save \$173,000 annually (\$1 per member per month)

Reduces staff administrative work

Helps to prevent retirees from forgetting to make payment and avoid termination of coverage.

Retirees who began receiving Medicare Part B reimbursements on or after 7/1/06 are required to have them direct deposited by EUTF [HRS 87A-23(2)]



- The 2020 Legislature approved a total of \$9,966,137 for a new Benefits Administration System (BAS) for FY2020 and FY2021 based on a Feasibility Study Report conducted by Public Consulting Group, Inc. (PCG).
- The EUTF's consultant, Linea Solutions (Linea), who is assisting with identifying functional and technical requirements for a new BAS, drafting the RFP and assisting in the RFP selection process determined that the approved BAS budget did not include costs for data cleansing and related consultant services estimated to be \$400,000.
- Linea has determined that with the additional \$400,000 the budget is reasonable.
- EUTF is requesting an increase in its FY2021 of \$400,000, from \$8,823,787 to \$9,223,787.



Retiree Benefits and OPEB

EUTF Retiree Benefit

Employer Contribution

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.

Contribution Determination

The employer contributes a percentage of the BMC based on the hire date and years of service.

Medicare Part B Premium Reimbursement

The Medicare Part B premium reimbursement is not dependent on hire date, years of service and whether they are enrolled in plans. This represents 20% (or \$2.1 billion) of the State's OPEB liability.

Retiree Benefits for Spouse

Spouses of employees hired after 6/30/01 may enroll in the EUTF retiree plans and receive Medicare Part B premium reimbursement.



Retiree Benefits and OPEB

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.	



Retiree Benefits and OPEB

EUTF Retiree Benefit

2020 BMC and Premiums	Kaiser	HMSA	100% BMC*	75% BMC*	50% BMC*
<u>Medicare (including medical, Rx, dental and vision)</u>					
Self	\$507	\$526	\$723	\$542	\$361
2-Party	989	1,024	1,449	1,087	724
Family	1,443	1,496	2,110	1,583	1,055
<u>Non-Medicare (including medical, Rx, dental and vision)</u>					
Self	\$806	\$860	\$1,015	\$761	\$507
2-Party	1,626	1,675	2,045	1,534	1,023
Family	2,377	2,461	2,994	2,245	1,497



- 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 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.



- 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 6/30/19, the OPEB Trust is at \$3.1 billion
- Projected to increase in 5 (6/30/23) and 10-years (6/30/28) to \$6.5 billion and \$11.8 billion, respectively.



■	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
8.	07/01/18 – 06/30/19:	4.1
	07/01/11 – 06/30/19:	7.1



Retiree Benefits and OPEB

OPEB Assets (Continued)

Strategy	Investment Vehicle	6/30/19	LT Target
Aggressive Growth			
Private Equity/Non-Core RE	Active partnerships	1.4%	10%
U.S. Microcap	Active separate accounts	8.6	7
Traditional Growth			
U.S. Equity	Passive commingled	19	15
Non-U.S. Equity	Passive commingled	19	17
U.S. REITS	Passive separate account	5	0
Stabilized Growth			
Global Options	Active separate accounts	7	7
Core Real Estate	Active partnerships	10	10
Private Credit	Active partnerships	0.4	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



Retiree Benefits and OPEB

OPEB Assets (Continued)

As of 7/1/19 (millions)	State	CCHON	COH	COM	COK	BWS	H-DWS	K-DWS	HART	All
Actuarial accrued liability (AAL)	\$11,382	\$2,491	\$595	\$593	\$283	\$161	\$35	\$19	\$9	\$15,568
Market value of assets	1,829	594	183	273	136	87	19	10	2	3,133
Unfunded AAL (UAAL)	9,553	1,897	412	320	147	74	16	9	7	12,435
Funded ratio 7/1/19	16.1%	23.8%	30.7%	46.0%	48.1%	53.9%	54.5%	54.1%	21.4%	20.1%
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%
FY2020 ARC	\$815	\$184	\$41	\$36	\$17	\$8	\$2	\$1	\$0.8	\$1,105
11/30/19 Mkt value	\$2,030.9	\$700.2	\$193.9	\$302.1	\$141.8	\$89.4	\$20.1	\$10.8	\$2.1	\$3,491.3

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)
2020	\$ 183,397,000	\$ 593,048,000	\$ 272,785,000	\$ 320,263,000	46.0%	\$ 35,732,000	19.5%	\$ 19,634,000	10.7%	\$ 16,098,000
2021	189,816,000	627,683,000	308,448,000	319,235,000	49.1%	36,984,000	19.5%	21,609,000	11.4%	15,375,000
2022	196,459,000	663,169,000	345,857,000	317,312,000	52.2%	38,547,000	19.6%	23,758,000	12.1%	14,789,000
2023	203,335,000	699,403,000	385,274,000	314,129,000	55.1%	39,704,000	19.5%	25,899,000	12.7%	13,805,000
2024	210,452,000	736,265,000	426,431,000	309,834,000	57.9%	41,092,000	19.5%	28,113,000	13.4%	12,979,000
2025	217,818,000	773,929,000	469,610,000	304,319,000	60.7%	42,552,000	19.5%	30,461,000	14.0%	12,091,000
2026	225,441,000	812,356,000	514,890,000	297,466,000	63.4%	44,089,000	19.6%	32,766,000	14.5%	11,323,000
2027	233,332,000	851,690,000	562,541,000	289,149,000	66.0%	45,703,000	19.6%	35,335,000	15.1%	10,368,000
2028	241,498,000	891,766,000	612,538,000	279,228,000	68.7%	47,409,000	19.6%	37,963,000	15.7%	9,446,000
2029	249,951,000	932,634,000	665,075,000	267,559,000	71.3%	49,206,000	19.7%	40,778,000	16.3%	8,428,000
2030	258,699,000	974,213,000	720,235,000	253,978,000	73.9%	51,086,000	19.7%	43,611,000	16.9%	7,475,000
2031	267,754,000	1,016,582,000	778,265,000	238,317,000	76.6%	53,061,000	19.8%	46,366,000	17.3%	6,695,000
2032	277,125,000	1,059,935,000	839,547,000	220,388,000	79.2%	55,129,000	19.9%	49,038,000	17.7%	6,091,000
2033	286,824,000	1,104,482,000	904,489,000	199,993,000	81.9%	57,298,000	20.0%	51,814,000	18.1%	5,484,000
2034	296,863,000	1,150,262,000	973,344,000	176,918,000	84.6%	59,573,000	20.1%	54,412,000	18.3%	5,161,000
2035	307,253,000	1,197,611,000	1,046,681,000	150,930,000	87.4%	61,959,000	20.2%	56,815,000	18.5%	5,144,000
2036	318,007,000	1,246,908,000	1,125,129,000	121,779,000	90.2%	64,454,000	20.3%	59,211,000	18.6%	5,243,000
2037	329,137,000	1,298,363,000	1,209,167,000	89,196,000	93.1%	67,065,000	20.4%	61,768,000	18.8%	5,297,000
2038	340,657,000	1,352,032,000	1,299,137,000	52,895,000	96.1%	34,869,000	10.2%	64,688,000	19.0%	(29,819,000)
2039	352,580,000	1,407,758,000	1,359,076,000	48,682,000	96.5%	36,473,000	10.3%	67,705,000	19.2%	(31,232,000)
2040	364,921,000	1,465,641,000	1,421,744,000	43,897,000	97.0%	38,151,000	10.5%	70,697,000	19.4%	(32,546,000)
2041	377,693,000	1,525,923,000	1,487,433,000	38,490,000	97.5%	37,723,000	10.0%	73,709,000	19.5%	(35,986,000)
2042	390,912,000	1,588,821,000	1,554,156,000	34,665,000	97.8%	39,466,000	10.1%	76,795,000	19.6%	(37,329,000)
2043	404,594,000	1,654,499,000	1,624,155,000	30,344,000	98.2%	41,285,000	10.2%	80,031,000	19.8%	(38,746,000)
2044	418,755,000	1,723,065,000	1,697,581,000	25,484,000	98.5%	43,192,000	10.3%	83,265,000	19.9%	(40,073,000)
2045	433,411,000	1,794,807,000	1,774,768,000	20,039,000	98.9%	45,183,000	10.4%	86,555,000	20.0%	(41,372,000)
2046	448,581,000	1,869,969,000	1,856,007,000	13,962,000	99.3%	47,261,000	10.5%	90,035,000	20.1%	(42,774,000)
2047	464,281,000	1,948,673,000	1,941,477,000	7,196,000	99.6%	44,540,000	9.6%	93,588,000	20.2%	(49,048,000)
2048	480,531,000	2,031,177,000	2,026,432,000	4,745,000	99.8%	46,632,000	9.7%	97,159,000	20.2%	(50,527,000)
2049	497,349,000	2,117,815,000	2,115,797,000	2,018,000	99.9%	46,466,000	9.3%	100,802,000	20.3%	(54,336,000)
2050	514,757,000	2,208,895,000	2,207,470,000	1,425,000	99.9%	48,662,000	9.5%	104,568,000	20.3%	(55,906,000)
2051	532,773,000	2,304,692,000	2,303,927,000	765,000	100.0%	50,961,000	9.6%	108,518,000	20.4%	(57,557,000)
2052	551,420,000	2,405,421,000	2,405,421,000	0	100.0%	52,578,000	9.5%	112,678,000	20.4%	(60,100,000)

The projection includes liabilities for future employees.



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



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 (active and retirees) –\$632,000 (187) – recurring every other year
- 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 monthly
- Death validation – monthly



2

Future Audits

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



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



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.
3. Termination of spousal Medicare Part B premium reimbursements for new hires



Possible Future Legislative Proposals

Possible Future Legislation



Elimination of Medicare Part B Reimbursements for Spouses of New Hires On or After 7/1/20

As of 7/1/18 actuarial valuation, Medicare Part B reimbursements represented 19.2% or \$2.8 billion of the all employer actuarial accrued liability of \$14.6 billion.

Annual reimbursements of Medicare Part B are approximately \$87.5 million.

Spouses comprise approximately 25% of the Medicare Part B reimbursements.

In theory, employers do not receive benefits from spouse enrollment in Medicare Part B since the employers do not make contributions to the spousal premiums.



- Dannenberg lawsuit – Hawaii Supreme Court ruled that accrued retiree health benefits are 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



Possible Future Legislative Proposals

Possible Future Legislation



Limit Employer Contributions for Retirees Who are Hired On or After 7/1/20 to the Premiums of Lower Benefit Retiree Plans

Current HMSA non-Medicare and Medicare retiree medical benefits are close to 90/10 and 100/0 (after Medicare Part B coordination), respectively. Kaiser retiree medical benefits are close to 100% as copayments are generally \$15 with \$0 for inpatient.

Current non-Medicare and Medicare retiree drug benefits are \$5/\$15/\$30 for 30-day generic, preferred brand and non-preferred brand, respectively, versus \$5/\$25/\$50 for actives and specialty retiree benefits are at the pre 7/1/19 active levels. Kaiser retiree copayments are generally \$15.



Possible Future Legislative Proposals

Possible Future Legislation (Continued)

Limit Employer Contributions for Retirees Who are Hired On or After 7/1/20 to the Premiums of Lower Benefit Retiree Plans (Continued)



Proposal would limit employer contributions to the established base monthly contribution (BMC) and premiums of a 90/10 (80/20) plan with a \$100 per person and \$300 family deductible, no lifetime benefit maximums, and a \$2,500 per person and \$7,500 family annual maximum out-of-pocket limit.

Proposal would limit employer contributions to the premiums of the current active employee CVS drug plans with no annual maximum-out-of-pocket limits other than specialty drugs.



Possible Future Legislative Proposals

Possible Future Legislation (Continued)

Limit Employer Contributions for Retirees Who are Hired On or After 7/1/20 to the Premiums of Lower Benefit Retiree Plans (Continued)



	Estimated %age Reduction in 2019 Premiums		
Plan	80%	90%	Rx Active Plan
<u>Non-Medicare Retirees</u>			
HMSA	-7.6%	-3.1%	NA
Kaiser	-29.3	-22.1	NA
CVS	NA	NA	-3.9%
<u>Medicare Retirees</u>			
HMSA	-72.4	-58.2	NA
Kaiser	-29.3	-22.1	NA
CVS	NA	NA	-1.8

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