

MAUI COUNTY COUNCIL
Amendment Summary Form

Legislation: Resolutions proposing a State bill supporting a single-payer healthcare system, respectively entitled “APPROVING FOR INCLUSION IN THE 2021 HAWAII STATE ASSOCIATION OF COUNTIES LEGISLATIVE PACKAGE A STATE BILL TO CREATE A SINGLE-PAYER HEALTHCARE SYSTEM COVERING ALL HAWAII RESIDENTS” and “APPROVING FOR INCLUSION IN THE 2021 MAUI COUNTY COUNCIL LEGISLATIVE PACKAGE A STATE BILL TO CREATE A SINGLE-PAYER HEALTHCARE SYSTEM COVERING ALL HAWAII RESIDENTS.” The proposed State bill is Exhibit “A” to both proposed resolutions.

Proposer:

Tamara Paltin, Councilmember.



Description:

The proposed State bill attached to the resolution is modeled after House Bill 1286 (2019), which would create a new entity to initiate a single-payer system, replacing the Hawaii Health Authority. My amendments would express support for either a single-payer or all-payer healthcare system—with all-payer being an incremental step toward single-payer—and substitute a proposed State bill to retain the Hawaii Health Authority to initiate a single-payer or all-payer system.

Motion:

Move to amend the proposed resolutions respectively entitled “APPROVING FOR INCLUSION IN THE 2021 HAWAII STATE ASSOCIATION OF COUNTIES LEGISLATIVE PACKAGE A STATE BILL TO CREATE A SINGLE-PAYER HEALTHCARE SYSTEM COVERING ALL HAWAII RESIDENTS” and “APPROVING FOR INCLUSION IN THE 2021 MAUI COUNTY COUNCIL LEGISLATIVE PACKAGE A STATE BILL TO CREATE A SINGLE-PAYER HEALTHCARE SYSTEM COVERING ALL HAWAII RESIDENTS” by:

1. Adding “or all-payer” after “single-payer” in the first ‘BE IT RESOLVED’ clause.

2. Replacing Exhibit "A" with the attached proposed State bill entitled "A BILL FOR AN ACT RELATING TO HEALTH CARE INSURANCE."

Attachments: Proposed resolutions incorporating the amendments included in my motion.

paf:dmr:20-233d

Resolution

No. _____

APPROVING FOR INCLUSION IN THE 2021
HAWAII STATE ASSOCIATION OF COUNTIES
LEGISLATIVE PACKAGE A STATE BILL TO
CREATE A SINGLE-PAYER HEALTHCARE
SYSTEM COVERING ALL HAWAII RESIDENTS

WHEREAS, the economic and fiscal health and survival of the County of Maui is tightly connected to the economic and fiscal health and survival of the State of Hawaii itself; and

WHEREAS, a *Reuters-Ipsos* survey published on August 23, 2018, showed 70 percent of Americans support a single-payer healthcare system, guaranteeing healthcare for all people living in the United States; and

WHEREAS, every person in the State of Hawaii, including every person in the County of Maui, deserves high-quality healthcare; and

WHEREAS, managed care and other market-based reforms have failed to contain healthcare costs; and

WHEREAS, the current COVID-19 pandemic has led to record levels of unemployment, loss of employer-sponsored health insurance, a severely strained healthcare system, widespread illness, and taken a profound toll on our community's mental health; and

WHEREAS, the United States spends roughly one-third of its \$3.5 trillion healthcare budget on non-medical expenses; and

WHEREAS, under a single-payer healthcare system, that figure could be reduced to approximately 6 to 8 percent; and

WHEREAS, according to a University of Michigan study published in the November 2010 issue of the *American Journal of Public Health*, online September 16, 2010, "Native Hawaiians are far more likely than whites to suffer early death"; and

Resolution No. _____

WHEREAS, under Chapter 322H, Hawaii Revised Statutes, the Hawaii Health Authority is charged with developing “a comprehensive health plan” for “all residents,” which could include legislation for a single-payer healthcare system, but the State has not been supporting the Authority; now, therefore,

BE IT RESOLVED by the Council of the County of Maui:

1. That the proposed State bill, attached as Exhibit “A,” to create a single-payer or all-payer healthcare system covering all Hawaii residents, is approved for inclusion in the 2021 Hawaii State Association of Counties Legislative Package;
2. That the Council Chair is also authorized to testify on the Council’s behalf in support of similar legislation authored by the Hawaii Health Authority, if any; and
3. That certified copies of this Resolution be transmitted to the Hawaii State Association of Counties Executive Committee.

____. B. NO. _____

A BILL FOR AN ACT

RELATING TO HEALTH CARE INSURANCE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

PART I – The Hawaii Health Authority

1 SECTION 1. The legislature finds that it is in the best interest of the State of Hawaii for
2 each and every state citizen to have publicly provided, high quality, affordable health care. Health
3 care is more than just medical insurance payouts — it includes cost-saving, preventive, and early
4 intervention measures to prohibit medical conditions from becoming chronic, permanently
5 disabling, or fatal.

6 The legislature further finds that Hawaii's current health care insurance system is a
7 disjointed, costly, inefficient, and unnecessarily complicated, multi-payer, private medical
8 insurance model.

9 Additionally, health care rates are skyrocketing, creating an affordability and accessibility
10 crisis for Hawaii's residents. The two of the largest cost-drivers of health care in the United States
11 and Hawaii are: (1) the excessive administrative costs; and (2) the high cost of prescription drugs.

12 The legislature further finds that for more than a quarter of a century, Hawaii was far ahead
13 of most other states and often called itself "the health state" because of the 1974 Hawaii Prepaid
14 Health Care Act. Hawaii was once known for having a low uninsured population of between two
15 and five per cent in 1994.

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1 However, the crisis in health care in the United States has also befallen Hawaii. Today,
2 thousands of Hawaii citizens lack health care coverage, many of whom are children. Many other
3 Hawaii residents are underinsured, unable to use their insurance properly, or even at all, because
4 of increasingly expensive deductibles and out-of-pocket co-payments for outpatient visits,
5 diagnostic tests, and prescription drugs, among other factors under Affordable Care Act plans
6 purchased on the individual market and Medicare plans. Even well-insured individuals experience
7 problems with their insurers denying, or very reluctantly dispensing, expensive medicines and
8 treatments. About half of all bankruptcies are due to extremely expensive, catastrophic illnesses
9 that are not covered after a certain cap is reached. Other persons are near bankruptcy with their
10 quality of life seriously impacted.

11 The legislature further finds that a universal, publicly administered, health care-for-all
12 insurance model with a single-payer or all-payer system for caregivers and providers, adapted to meet
13 the unique conditions in Hawaii, would be beneficial for the following reasons:

14 (1) For union members and their employers, it means taking health care off the negotiating
15 table;

16 (2) For patients, as taxpayers and insurance premium-payers, it means significant
17 reductions in overall costs, increases in benefits, and the slowing of annual inflation cost
18 increases. It also means a comeback from increasingly uncaring, profit-driven health care to the

19

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1 restoration of human-need-driven, mutually respectful and caring patient-doctor-nurse-and other
2 caregiver relationships, which in earlier times were fundamental to meaningful health care;

3 (3) For businesses, large and small, it reduces significant overhead expenses;

4 (4) For the local economy, it means keeping almost all health care dollars in the State;

5 (5) For government, it means having one integrated, electronic, health information
6 database for unprecedented planning and cost-containment capabilities. It also means relief from
7 the perceived emerging problem of unfunded liabilities associated with long-term funding of
8 government retiree health care benefits; and

9 (6) For physicians, nurses, and other caregivers, it means less paperwork, less work stress,
10 and more time with patients.

11 SECTION 2. The legislature further finds that, fortunately, since 2009, the Hawaii health
12 authority, established by the legislature pursuant to chapter 322H of the Hawaii Revised Statutes,
13 has been working with minimal support from other government agencies to pave the way for
14 adoption of a universal, publicly administered, health care-for-all insurance model with a single-payer
15 or all-payer system for caregivers and providers, adapted for Hawaii, and that the Hawaii health
16 authority is in great and urgent need of additional support at this time.

17 SECTION 3. The legislature further commends the Hawaii health authority for the
18 authority's research on (1) the causes, consequences, and means to mitigate burn-out by physicians

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1 and other providers of medical services in the state of Hawaii; (2) the needs to respond to and to
2 revise certain compensation practices adopted by health insurers in the state of Hawaii; and (3) to revise
3 other current financial practices relating to healthcare to prepare for adoption of a universal, publicly
4 administered, health care-for-all insurance model with a single-payer or all-payer system for Hawaii.

5 SECTION 4. The Hawaii health authority is hereby authorized to continue planning for
6 adoption of universal, publicly administered, health care-for-all insurance model with a single-payer
7 or all-payer system for Hawaii and to report to the governor, the legislature, and to the general public
8 at such intervals as it finds necessary and appropriate.

9 SECTION 5. There is appropriated from the general revenues of the State of Hawaii the
10 sum of \$350,000 or so much thereof as may be necessary for fiscal year 2020-2021 for expenditure
11 by the Hawaii health authority for its general administration under this Act, including the hiring
12 of an executive director and other staff, exempt from civil service, as it may deem necessary for
13 the fulfillment of its functions.

14 PART II – Administration of Unfunded Liabilities by Hawaii Health Authority

15 SECTION 1. The legislature finds that, according to the National Conference of State
16 Legislatures, in 2010, forty-six states self-insured or self-funded at least one of their employee
17 health care plans, and at least twenty-nine states self-funded all of their employee health care
18 offerings.

____. B. NO. _____

1 The legislature also finds that self-insured or self-funded plans have a number of potential
2 advantages over fully insured plans. The legislature further finds that many states administering
3 self-insured or self-funded employee health care plans have been able to lower costs while still
4 maintaining a high level of health benefits.

5 Hawaii's employer-union health benefits trust fund is currently fully insured rather than
6 self-insured. However, health care premiums have risen rapidly over the last decade. Therefore,
7 the legislature believes that it is both prudent and essential that the State examine whether
8 converting the employer-union health benefits trust fund to a self-insured model will result in cost
9 savings.

10 The purpose of this part is to authorize and direct the Hawaii health authority to contract
11 for the provision of healthcare benefits to state and county employees using a self-insured model.

12 SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the
13 sum of \$_____ or so much thereof as may be necessary for fiscal year 2021-2022 for the
14 purposes of this part.

15 The sum appropriated shall be expended by the Hawaii health authority for the purposes of
16 this part.

17 SECTION 3. The legislature finds that as of July 2, 2015, the unfunded portion of the
18 actuarial accrued liability of the Hawaii employer-union health benefits trust fund was
19 \$11,772,008,000. This is \$969,745,000 more than the total revenues for the State for fiscal year
20 2015.

____. B. NO. ____

1 To address this unfunded liability, Act 268, Session Laws of Hawaii 2013, requires the State and
2 counties to prefund other post-employment health and other benefit plan costs for retirees and their
3 beneficiaries by making annual contributions to the other post-employment benefits trust
4 fund. State, county, and other public employers' annual contributions to the other post-
5 employment benefits trust fund totals \$427,299,249, while all assets of the trust fund total
6 \$2,370,481,565, for fiscal year 2018.

7 Meanwhile, the State, counties, and other public employers are also required to make
8 payments to cover a portion of pay-as-you-go Hawaii employer-union health benefits trust fund
9 costs. Clearly, given current and projected revenues, the State and the counties cannot afford to
10 prefund both health and pension unfunded liabilities, which are projected to total more than
11 \$800,000,000 per year in later years. A more affordable and less painful solution is necessary.

12 Furthermore, the Hawaii employer-union health benefits trust fund projects a seven per
13 cent investment return on funds in the other post-employment benefits trust fund, which amounts
14 to an estimated \$140,000,000 that will be deposited into the rate stabilization reserve fund each
15 year. By not requiring other post-employment benefits prefunding through 2049, this Act will free
16 up moneys for important state, county, and other public employee services, projects, and needs.

17 Accordingly, this part:

18 (1) Caps public employer prefunding to the other post-employment benefits trust fund
19 once the separate accounts for each public employer have a combined subaccount balance of at
20 least \$2,000,000,000;

____. B. NO. ____

1 (2) Thereafter, transfers any investment income and interest from the other post-
2 employment benefits trust fund to a newly established rate stabilization reserve fund, which will
3 provide reserve funding to stabilize the Hawaii employer-union health benefits trust fund at times
4 when that trust fund has insufficient moneys to cover the costs of providing health and other
5 benefits plans for active employees and retirees and their beneficiaries; and

6 (3) Provides for the use of a portion of the transient accommodations tax revenues to
7 supplement deficient county public employer contribution amounts if necessary.

8 SECTION 4. Chapter 87A, Hawaii Revised Statutes, is amended by adding a new section
9 to be appropriately designated and to read as follows:

10 "**§87A- Rate stabilization reserve fund; establishment; purpose.** (a) There is
11 established a rate stabilization reserve fund to be placed within the employer-union health benefits
12 trust fund for administrative purposes.

13 (b) The rate stabilization reserve fund may cover the increasing costs of providing health
14 and other benefit plans for active employees and retirees and their beneficiaries as required by this
15 chapter. A separate account for each public employer shall be established and maintained to
16 accept and account for each public employer's contributions. Unless otherwise specified by law,
17 the rate stabilization reserve fund shall not be subject to appropriation for any purpose and shall
18 not be subject to claims by creditors of employers or the board.

19 (c) The rate stabilization reserve fund shall consist of:

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1 (1) Moneys transferred from the Hawaii employer-union health benefits trust fund
2 established by section 87A-30 and the other post-employment benefits trust fund established by
3 section 87A-42;

4 (2) Interest from the separate trust fund established to prefund other post-employment
5 health and other benefits plan costs for members and their beneficiaries pursuant to section 87A-
6 42 and interest from the rate stabilization reserve fund; and

7 (3) Appropriations from the legislature

8 (d) The rate stabilization reserve fund shall meet the requirements of the Governmental
9 Accounting Standards Board regarding employment benefits trusts."

10 SECTION 5. Section 87A-42, Hawaii Revised Statutes, is amended as follows:

11 1. By amending subsection (a) to read:

12 "(a) Notwithstanding sections 87A-31 and 87A-31.5, the board, upon terms and conditions
13 set by the board, shall establish and administer a separate trust fund for the purpose of receiving
14 employer contributions that will prefund other post-employment health and other benefit plan costs
15 for retirees and their beneficiaries. The separate trust fund shall meet the requirements of
16 the Governmental Accounting Standards Board regarding other post-employment benefits
17 trusts. The board shall establish and maintain a separate account for each public employer within
18 the separate trust fund to accept and account for each public employer's contributions. Employer
19 contributions to the separate trust fund shall be irrevocable, all assets of the fund shall be dedicated
20 exclusively to providing health and other benefits to retirees and their beneficiaries, and assets of

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1 the fund shall not be subject to appropriation for any other purpose and shall not be subject to
2 claims by creditors of the employers or the board or plan administrator. The board's powers under
3 section 87A-24 shall also apply to the fund established pursuant to this section. Notwithstanding
4 any law to the contrary, once the separate accounts for each public employer within the separate
5 trust fund have a combined balance of at least \$2,000,000,000, any earnings from the
6 \$2,000,000,000 remaining in the separate trust fund at the end of each fiscal year shall be
7 transferred to the separate public employer accounts within the rate stabilization reserve fund
8 established in section 87A- . Unless otherwise specified by law, the \$2,000,000,000 and the
9 separate trust fund shall not be subject to appropriation for any purpose and shall not be subject to
10 claims by creditors of employers or the board."

11 2. By amending subsection (d) to read:

12 "(d) In any fiscal year in which a county public employer's contributions into the fund are
13 less than the amount of the annual required contribution, the amount that represents the excess of
14 the annual required contribution over the county public employer's contributions shall be deposited
15 into the applicable fund pursuant to this section from a portion of all transient accommodations tax
16 revenues collected by the department of taxation under section 237D-6.5(b)(4). The director of
17 finance shall deduct the amount necessary to meet the county public employer's annual required
18 contribution from the revenues derived under section 237D-6.5(b)(4) and transfer the amount to
19 the board for deposit into the appropriate account of the separate trust fund."

20 3. By amending subsection (f) to read:

____. B. NO. ____

"(f) For the purposes of this section, "annual required contribution" means a public employer's required contribution to the trust fund established in this section.

SECTION 6. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SECTION 7. New statutory material is underscored.

SECTION 8. This Act shall take effect on July 1, 2021.

INTRODUCED BY:

Resolution

No. _____

APPROVING FOR INCLUSION IN THE 2021
MAUI COUNTY COUNCIL LEGISLATIVE
PACKAGE A STATE BILL TO CREATE A
SINGLE-PAYER HEALTHCARE SYSTEM
COVERING ALL HAWAII RESIDENTS

WHEREAS, the economic and fiscal health and survival of the County of Maui is tightly connected to the economic and fiscal health and survival of the State of Hawaii itself; and

WHEREAS, a *Reuters-Ipsos* survey published on August 23, 2018, showed 70 percent of Americans support a single-payer healthcare system, guaranteeing healthcare for all people living in the United States; and

WHEREAS, every person in the State of Hawaii, including every person in the County of Maui, deserves high-quality healthcare; and

WHEREAS, managed care and other market-based reforms have failed to contain healthcare costs; and

WHEREAS, the current COVID-19 pandemic has led to record levels of unemployment, loss of employer-sponsored health insurance, a severely strained healthcare system, widespread illness, and taken a profound toll on our community's mental health; and

WHEREAS, the United States spends roughly one-third of its \$3.5 trillion healthcare budget on non-medical expenses; and

WHEREAS, under a single-payer healthcare system, that figure could be reduced to approximately 6 to 8 percent; and

WHEREAS, according to a University of Michigan study published in the November 2010 issue of the *American Journal of Public Health*, online September 16, 2010, "Native Hawaiians are far more likely than whites to suffer early death;" and

Resolution No. _____

WHEREAS, under Chapter 322H, Hawaii Revised Statutes, the Hawaii Health Authority is charged with developing “a comprehensive health plan” for “all residents,” which could include legislation for a single-payer healthcare system, but the State has not been supporting the Authority; now, therefore,

BE IT RESOLVED by the Council of the County of Maui:

1. That the proposed State bill, attached as Exhibit “A,” to create a single-payer or all-payer healthcare system covering all Hawaii residents, is approved for inclusion in the 2021 Maui County Council Legislative Package;
2. That the Council Chair is also authorized to testify on the Council’s behalf in support of similar legislation authored by the Hawaii Health Authority, if any; and
3. That certified copies of this Resolution be transmitted to Governor of the State of Hawaii, the President of the State Senate, the Speaker of the State House of Representatives, the County’s delegation to the State Legislature, and the Mayor of the County of Maui.

____. B. NO. _____

A BILL FOR AN ACT

RELATING TO HEALTH CARE INSURANCE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

PART I – The Hawaii Health Authority

1 SECTION 1. The legislature finds that it is in the best interest of the State of Hawaii for
2 each and every state citizen to have publicly provided, high quality, affordable health care. Health
3 care is more than just medical insurance payouts — it includes cost-saving, preventive, and early
4 intervention measures to prohibit medical conditions from becoming chronic, permanently
5 disabling, or fatal.

6 The legislature further finds that Hawaii's current health care insurance system is a
7 disjointed, costly, inefficient, and unnecessarily complicated, multi-payer, private medical
8 insurance model.

9 Additionally, health care rates are skyrocketing, creating an affordability and accessibility
10 crisis for Hawaii's residents. The two of the largest cost-drivers of health care in the United States
11 and Hawaii are: (1) the excessive administrative costs; and (2) the high cost of prescription drugs.

12 The legislature further finds that for more than a quarter of a century, Hawaii was far ahead
13 of most other states and often called itself "the health state" because of the 1974 Hawaii Prepaid
14 Health Care Act. Hawaii was once known for having a low uninsured population of between two
15 and five per cent in 1994.

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1 However, the crisis in health care in the United States has also befallen Hawaii. Today,
2 thousands of Hawaii citizens lack health care coverage, many of whom are children. Many other
3 Hawaii residents are underinsured, unable to use their insurance properly, or even at all, because
4 of increasingly expensive deductibles and out-of-pocket co-payments for outpatient visits,
5 diagnostic tests, and prescription drugs, among other factors under Affordable Care Act plans
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7 problems with their insurers denying, or very reluctantly dispensing, expensive medicines and
8 treatments. About half of all bankruptcies are due to extremely expensive, catastrophic illnesses
9 that are not covered after a certain cap is reached. Other persons are near bankruptcy with their
10 quality of life seriously impacted.

11 The legislature further finds that a universal, publicly administered, health care-for-all
12 insurance model with a single-payer or all-payer system for caregivers and providers, adapted to meet
13 the unique conditions in Hawaii, would be beneficial for the following reasons:

14 (1) For union members and their employers, it means taking health care off the negotiating
15 table;

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17 reductions in overall costs, increases in benefits, and the slowing of annual inflation cost
18 increases. It also means a comeback from increasingly uncaring, profit-driven health care to the

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1 restoration of human-need-driven, mutually respectful and caring patient-doctor-nurse-and other
2 caregiver relationships, which in earlier times were fundamental to meaningful health care;

3 (3) For businesses, large and small, it reduces significant overhead expenses;

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6 database for unprecedented planning and cost-containment capabilities. It also means relief from
7 the perceived emerging problem of unfunded liabilities associated with long-term funding of
8 government retiree health care benefits; and

9 (6) For physicians, nurses, and other caregivers, it means less paperwork, less work stress,
10 and more time with patients.

11 SECTION 2. The legislature further finds that, fortunately, since 2009, the Hawaii health
12 authority, established by the legislature pursuant to chapter 322H of the Hawaii Revised Statutes,
13 has been working with minimal support from other government agencies to pave the way for
14 adoption of a universal, publicly administered, health care-for-all insurance model with a single-payer
15 or all-payer system for caregivers and providers, adapted for Hawaii, and that the Hawaii health
16 authority is in great and urgent need of additional support at this time.

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18 authority's research on (1) the causes, consequences, and means to mitigate burn-out by physicians

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1 and other providers of medical services in the state of Hawaii; (2) the needs to respond to and to
2 revise certain compensation practices adopted by health insurers in the state of Hawaii; and (3) to revise
3 other current financial practices relating to healthcare to prepare for adoption of a universal, publicly
4 administered, health care-for-all insurance model with a single-payer or all-payer system for Hawaii.

5 SECTION 4. The Hawaii health authority is hereby authorized to continue planning for
6 adoption of universal, publicly administered, health care-for-all insurance model with a single-payer
7 or all-payer system for Hawaii and to report to the governor, the legislature, and to the general public
8 at such intervals as it finds necessary and appropriate.

9 SECTION 5. There is appropriated from the general revenues of the State of Hawaii the
10 sum of \$350,000 or so much thereof as may be necessary for fiscal year 2020-2021 for expenditure
11 by the Hawaii health authority for its general administration under this Act, including the hiring
12 of an executive director and other staff, exempt from civil service, as it may deem necessary for
13 the fulfillment of its functions.

14 PART II – Administration of Unfunded Liabilities by Hawaii Health Authority

15 SECTION 1. The legislature finds that, according to the National Conference of State
16 Legislatures, in 2010, forty-six states self-insured or self-funded at least one of their employee
17 health care plans, and at least twenty-nine states self-funded all of their employee health care
18 offerings.

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1 The legislature also finds that self-insured or self-funded plans have a number of potential
2 advantages over fully insured plans. The legislature further finds that many states administering
3 self-insured or self-funded employee health care plans have been able to lower costs while still
4 maintaining a high level of health benefits.

5 Hawaii's employer-union health benefits trust fund is currently fully insured rather than
6 self-insured. However, health care premiums have risen rapidly over the last decade. Therefore,
7 the legislature believes that it is both prudent and essential that the State examine whether
8 converting the employer-union health benefits trust fund to a self-insured model will result in cost
9 savings.

10 The purpose of this part is to authorize and direct the Hawaii health authority to contract
11 for the provision of healthcare benefits to state and county employees using a self-insured model.

12 SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the
13 sum of \$_____ or so much thereof as may be necessary for fiscal year 2021-2022 for the
14 purposes of this part.

15 The sum appropriated shall be expended by the Hawaii health authority for the purposes of
16 this part.

17 SECTION 3. The legislature finds that as of July 2, 2015, the unfunded portion of the
18 actuarial accrued liability of the Hawaii employer-union health benefits trust fund was
19 \$11,772,008,000. This is \$969,745,000 more than the total revenues for the State for fiscal year
20 2015.

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1 To address this unfunded liability, Act 268, Session Laws of Hawaii 2013, requires the State and
2 counties to prefund other post-employment health and other benefit plan costs for retirees and their
3 beneficiaries by making annual contributions to the other post-employment benefits trust
4 fund. State, county, and other public employers' annual contributions to the other post-
5 employment benefits trust fund totals \$427,299,249, while all assets of the trust fund total
6 \$2,370,481,565, for fiscal year 2018.

7 Meanwhile, the State, counties, and other public employers are also required to make
8 payments to cover a portion of pay-as-you-go Hawaii employer-union health benefits trust fund
9 costs. Clearly, given current and projected revenues, the State and the counties cannot afford to
10 prefund both health and pension unfunded liabilities, which are projected to total more than
11 \$800,000,000 per year in later years. A more affordable and less painful solution is necessary.

12 Furthermore, the Hawaii employer-union health benefits trust fund projects a seven per
13 cent investment return on funds in the other post-employment benefits trust fund, which amounts
14 to an estimated \$140,000,000 that will be deposited into the rate stabilization reserve fund each
15 year. By not requiring other post-employment benefits prefunding through 2049, this Act will free
16 up moneys for important state, county, and other public employee services, projects, and needs.

17 Accordingly, this part:

18 (1) Caps public employer prefunding to the other post-employment benefits trust fund
19 once the separate accounts for each public employer have a combined subaccount balance of at
20 least \$2,000,000,000;

____. B. NO. ____

1 (2) Thereafter, transfers any investment income and interest from the other post-
2 employment benefits trust fund to a newly established rate stabilization reserve fund, which will
3 provide reserve funding to stabilize the Hawaii employer-union health benefits trust fund at times
4 when that trust fund has insufficient moneys to cover the costs of providing health and other
5 benefits plans for active employees and retirees and their beneficiaries; and

6 (3) Provides for the use of a portion of the transient accommodations tax revenues to
7 supplement deficient county public employer contribution amounts if necessary.

8 SECTION 4. Chapter 87A, Hawaii Revised Statutes, is amended by adding a new section
9 to be appropriately designated and to read as follows:

10 "**§87A- Rate stabilization reserve fund; establishment; purpose.** (a) There is
11 established a rate stabilization reserve fund to be placed within the employer-union health benefits
12 trust fund for administrative purposes.

13 (b) The rate stabilization reserve fund may cover the increasing costs of providing health
14 and other benefit plans for active employees and retirees and their beneficiaries as required by this
15 chapter. A separate account for each public employer shall be established and maintained to
16 accept and account for each public employer's contributions. Unless otherwise specified by law,
17 the rate stabilization reserve fund shall not be subject to appropriation for any purpose and shall
18 not be subject to claims by creditors of employers or the board.

19 (c) The rate stabilization reserve fund shall consist of:

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1 (1) Moneys transferred from the Hawaii employer-union health benefits trust fund
2 established by section 87A-30 and the other post-employment benefits trust fund established by
3 section 87A-42;

4 (2) Interest from the separate trust fund established to prefund other post-employment
5 health and other benefits plan costs for members and their beneficiaries pursuant to section 87A-
6 42 and interest from the rate stabilization reserve fund; and

7 (3) Appropriations from the legislature

8 (d) The rate stabilization reserve fund shall meet the requirements of the Governmental
9 Accounting Standards Board regarding employment benefits trusts."

10 SECTION 5. Section 87A-42, Hawaii Revised Statutes, is amended as follows:

11 1. By amending subsection (a) to read:

12 "(a) Notwithstanding sections 87A-31 and 87A-31.5, the board, upon terms and conditions
13 set by the board, shall establish and administer a separate trust fund for the purpose of receiving
14 employer contributions that will prefund other post-employment health and other benefit plan costs
15 for retirees and their beneficiaries. The separate trust fund shall meet the requirements of
16 the Governmental Accounting Standards Board regarding other post-employment benefits
17 trusts. The board shall establish and maintain a separate account for each public employer within
18 the separate trust fund to accept and account for each public employer's contributions. Employer
19 contributions to the separate trust fund shall be irrevocable, all assets of the fund shall be dedicated
20 exclusively to providing health and other benefits to retirees and their beneficiaries, and assets of

____. B. NO. ____

1 the fund shall not be subject to appropriation for any other purpose and shall not be subject to
2 claims by creditors of the employers or the board or plan administrator. The board's powers under
3 section 87A-24 shall also apply to the fund established pursuant to this section. Notwithstanding
4 any law to the contrary, once the separate accounts for each public employer within the separate
5 trust fund have a combined balance of at least \$2,000,000,000, any earnings from the
6 \$2,000,000,000 remaining in the separate trust fund at the end of each fiscal year shall be
7 transferred to the separate public employer accounts within the rate stabilization reserve fund
8 established in section 87A- . Unless otherwise specified by law, the \$2,000,000,000 and the
9 separate trust fund shall not be subject to appropriation for any purpose and shall not be subject to
10 claims by creditors of employers or the board."

11 2. By amending subsection (d) to read:

12 "(d) In any fiscal year in which a county public employer's contributions into the fund are
13 less than the amount of the annual required contribution, the amount that represents the excess of
14 the annual required contribution over the county public employer's contributions shall be deposited
15 into the applicable fund pursuant to this section from a portion of all transient accommodations tax
16 revenues collected by the department of taxation under section 237D-6.5(b)(4). The director of
17 finance shall deduct the amount necessary to meet the county public employer's annual required
18 contribution from the revenues derived under section 237D-6.5(b)(4) and transfer the amount to
19 the board for deposit into the appropriate account of the separate trust fund."

20 3. By amending subsection (f) to read:

____. B. NO. ____

"(f) For the purposes of this section, "annual required contribution" means a public employer's required contribution to the trust fund established in this section.

SECTION 6. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SECTION 7. New statutory material is underscored.

SECTION 8. This Act shall take effect on July 1, 2021.

INTRODUCED BY: