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HOUSE COMMITTEE ON HEALTH

TESTIMONY REGARDING HB 2126
RELATING TO HEALTHCARE

TESTIFIER: **KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**
DATE: **JANUARY 30, 2008**
TIME: **8:00AM**
ROOM: **329**

This bill proposes to amend chapter 235, HRS, by adding a new section containing a deduction.

The Department of Taxation (Department) **provides comments** on this legislation, which amends chapter 235, HRS, by granting an income tax deduction to hospitals equal to the amount paid for medical lifting equipment, not to exceed $1,000.

I. THE DEPARTMENT IS CALLED UPON TO DETERMINE WHETHER EQUIPMENT IS PRIMARILY USED TO MINIMIZE PATIENT HANDLING.

The Department will be required to take a taxpayer's word that any equipment purchased meets the statutory requirement that such equipment be a "mechanical lifting device" or "primarily used to minimize patient handling." Without some kind of oversight by someone with more expertise, taxpayers may find it easy to abuse this deduction by claiming it on equipment that should not qualify. If the Committee is worried about the potential for abuse, provisions protecting against it, such as requiring certification that the equipment qualifies, may be warranted.

II. NON-PROFIT ENTITIES WILL NOT QUALIFY FOR THIS TAX BENEFIT.

Since this tax benefit is an income tax deduction, entities which do not generate taxable income, such as 501(c)(3) entities (which most hospitals are), will not be able to take advantage of the deduction.

III. TAXPAYERS ALREADY RECEIVE A 4% REFUNDABLE CREDIT.

Taxpayers are granted a capital goods excise tax credit on their income tax returns equal to the amount of general excise tax paid on eligible goods purchased under HRS § 235-110.7. The Department presumes hospital beds placed in service will qualify for this tax credit. The medical equipment contemplated in this bill may qualify for the capital goods excise tax credit, which would essentially grant taxpayers a double incentive for the amount of GE tax paid on the medical equipment.

III. **REVENUE ESTIMATE**

This legislation will result in a revenue loss of approximately $7,100 per year.

HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME LOCAL 152, AFL-CIO
888 MILILANI STREET, SUITE 601 • HONOLULU, HAWAII 96813-2991

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The Twenty Fourth Legislature, State of Hawaii
Hawaii House of Representatives
Committee on Health

Testimony by
HGEA/AFSCME, Local 152, AFL-CIO
January 30, 2008

HB 2126- Relating to Healthcare

The Hawaii Government Employees Association, AFSCME, Local 152, AFL-CIO supports this bill. HB2126 proposes to allow any hospital who purchases mechanical lifting devices and other equipment use to minimize patient handling by healthcare providers, a deduction from their gross income for the amount paid for the equipment during that taxable year. The maximum deduction shall not exceed $1,000 per acute inpatient bed in a hospital.

Statistics reveal that many healthcare workers suffer physical injury while performing duties to move or lift patients. This results in increased workers' compensation cases and workers being on leave for prolonged periods of time. Workers on leave contribute to staffing shortages and increased overtime costs. Providing equipment to assist in minimizing the manual lifting of patients will reduce the risk of injury to patients, nurses and other healthcare workers while lifting, transferring, repositioning or moving patients.

We believe such incentives will reduce job injuries for health care workers while reducing operating costs to employers.

We respectfully request the passage of HB 2126 from your committee. Thank you for the opportunity to testify in support of this bill.

Respectfully Submitted,

Nora Nomura
Deputy Executive Director

L E G I S L A T I V E

TAXBILLSERVICE

536-4587 126 Queen Street, Suite 304 **TAX FOUNDATION OF HAWAII** Honolulu, Hawaii 96813 Tel.

SUBJECT: INCOME, Deduction for purchase of medical lifting equipment

BILL NUMBER: SB 2100; HB 2126 (Identical)

INTRODUCED BY: SB by Chun Oakland; HB by Mizuno and 3 Democrats

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to permit hospitals to claim a tax deduction for the purchase of mechanical lifting devices and other equipment primarily used to minimize patient handli healthcare providers, consistent with a patient handling program developed and implemented by the hospital. Stipulates that the deduction shall not include interest paid or accrued on such equipment.

The deduction shall be 100% of the cost of the mechanical lifting device or other equipment; not to exceed $1,000 per available acute care inpatient bed.

Directs the director of taxation to prepare the necessary forms to claim the credit, may require proof of the claim for the tax credit, and may adopt rules pursuant to HRS chapter 91.

Defines "acute care inpatient bed" for purposes of the measure.

Also adds a new part to the HRS relating to healthcare worker safety.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: This measure proposes an incentive in the form of an income tax deduction to encourage hospitals to purchase medical lifting equipment. As proposed, the measure would provide a subsi of up to $1,000 by the state, to purchase such devices. While perhaps well-intended, one has to ask why the purchase of such equipment should be subsidized with public funds while other businesses do not receive su subsidy. If this measure is adopted, it no doubt will set off a barrage of similar requests for financial assistan from the state that does not have to be repaid.

The acquisition of such equipment is part of the cost of providing the services hospitals are expected to perfo and therefore the cost of the equipment must be amortized in the rates charged patients. Although the sponsc may believe that such a subsidy may help to reduce, if not mitigate, the cost of health care provided by hospitals, it is by no means the only consideration in the rising cost of health care.

It should be remembered that the use of the tax system is not an efficient means to accomplish such social go Preferential tax treatment is generally adopted to mitigate the tax burden of those individuals or businesses th do not have the ability to pay their share of the tax burden. As proposed, the measure bears no relationship tc a hospital's need for tax relief but merely provides preferential financial assistance to hospitals with state fun

mizuno1-Edgar

From: Tina Desuacido [tina500@juno.com]
Sent: Monday, January 28, 2008 3:02 PM
To: HLTtestimony
Subject: Tax Foundation Testimony

TAX FOUNDATION
O F H A W A I I

126 Queen Street, Suite 304, Honolulu, Hawaii 96813-4415, Telephone 536-4587

EMAIL TRANSMISSION

Date: January 28, 2008

To: House Committee on Health

From: Lowell L. Kalapa, President
Tax Foundation of Hawaii **Phone (voice):** 536-4587

Total Pages(including this sheet): 4

RE: HB 2413 - Relating to Income Taxation (2 pages)
HB 2126 - Relating to Healthcare (1 page)

TO: Rep. Josh Green, Chair
House Health Committee Committee

Date of Hearing: Wednesday, January 30, 2008

Time of Hearing: 8:00 am

Copies: 5 copies

Thank you.

THE QUEEN'S MEDICAL CENTER

1301 Punchbowl Street • Honolulu, Hawaii 96813 • Phone (808) 538-9011 • FAX: (808) 547-4646 • www.queens.org

January 30, 2008

Representative Josh Green, Chair
Representative John Mizuno, Vice Chair
House Committee on Health

Wednesday, January 30, 2008 – 8:00 a.m.
State Capitol, Conference Room 329

RE: HB 2126 – Relating to Healthcare

Chair Green, Vice Chair Mizuno and Members of the Committee:

My name is Cindy Kamikawa, Vice President, Nursing and Chief Nursing Officer at The Queen's Medical Center. Due to our extensive, ongoing and thorough efforts to keep our health care workers as safe from on-the-job injury as possible, we feel that HB 2126 is unnecessary.

Protecting our employees is something we take very seriously, for without health care workers in good health and working condition, our ability to treat patients would be impossible. Queen's has established a coherent set of procedures that are specifically intended to assist and protect our employees when they move, lift or transport patients in a way that ensures both their safety and safe handling of our patients. Queen's has made a significant investment in this area, purchasing many types of lift equipment, such as full body lifts, cardiac chairs, HoverMatts, bariatric lifts, ceiling lifts, stand-assist lifts and more. Since 2002, more than 450 individuals have attended Queen's "Transfer Training" courses, which we designed to ensure our employees are fully aware of the proper techniques, equipment, and procedures for safe-handling of all types of patients.

HB 2126 would add another level of regulation and require the reporting of practices that are already firmly engrained at our hospital. Also, because this bill addresses worker safety, not patient safety per se, the jurisdiction seems errantly placed on the Department of Health, as opposed to the Department of Labor and Industrial Relations.

While Queen's supports the intent of HB 2126, we believe that it is unnecessary and burdensome because of the programs and support for our workers already in place. We urge you to defer HB 2126.

Thank you for this opportunity to testify.

Cindy Kamikawa, RN, MS, CNAA
Vice President, Nursing, and Chief Nursing Officer
The Queen's Medical Center

Healthcare Association of Hawaii

HOUSE COMMITTEE ON HEALTH
Rep. Josh Green, M.D., Chair

Conference Room 329
Wednesday, January 30, 2008 at 8:00 a.m.

Testimony opposing HB 2126.

I am Rich Meiers, President and CEO of the Healthcare Association of Hawaii, which represents the entire spectrum of health care, including acute care hospitals, two-thirds of the long term care beds in Hawaii, as well as home care and hospice providers. Thank you for this opportunity to testify in opposition to HB 2126, which requires each hospital to adopt a policy and program to control the risk of injury associated with lifting, transferring, or repositioning a patient.

The Association opposes this bill not because patients or health care workers should be unnecessarily exposed to injury. Rather, the policies, programs, and practices of all hospitals in Hawaii are already monitored by the Department of Health (DOH) as part of DOH's responsibility for licensing hospitals. Licensing is based on inspections conducted in accord with the 70 pages of administrative rules in Chapter 93 that delineate the areas for inspection and "establish minimum requirements for the protection of the health, welfare, and safety of patients, hospital personnel, and the general public in hospitals."

In addition, a national organization called the Joint Commission (formerly the Joint Commission on Accreditation of Healthcare Organizations) accredits hospitals based upon thorough regular inspections.

The major role of the Legislature is to set public policy, and it has done so by assigning DOH the responsibility of licensing hospitals. As a department of the executive branch, DOH is responsible for implementing policies set by the Legislature. The separation of the roles of policy setting and policy implementation is a principle of our form of democracy.

HB 2126 is deeply involved in policy implementation. Lifting policies and programs should be addressed in the administrative rules of DOH rather than in statute.

From a more practical point of view, I am not aware of a problem with injuries caused by lifting, transferring, or repositioning patients in hospitals. However, to gather more information the Association intends to conduct a formal survey of hospitals on this issue.

A final shortcoming of the bill is that it makes it appear that hospitals would be able to purchase equipment at no cost because they would be able to receive income tax credits. However, the overwhelming majority of hospitals in Hawaii are not-for-profit, so they would not receive any tax benefits from this bill.

For the foregoing reasons the Healthcare Association opposes HB 2126.

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