STAND. COM. REP. NO.

Honolulu, Hawaii , 2020

## FEB 14

RE: H.B. No. 2235 H.D. 1

Honorable Scott K. Saiki Speaker, House of Representatives Thirtieth State Legislature Regular Session of 2020 State of Hawaii

Sir:

Your Committee on Health, to which was referred H.B. No. 2235 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to help ensure access to health care for Medicaid or Medicare patients by establishing an income tax credit for qualified physicians who accept these patients.

Your Committee received testimony in support of this measure from the Office of the Mayor of the County of Hawai'i, Hawaii Medical Association, and three individuals. Your Committee received comments on this measure from the Department of Taxation and Hawaii Disability Rights Center.

Your Committee finds that Medicare and Medicaid operate below the costs of providing service. This makes it extremely difficult for physicians to manage practices in the Hawaii market, where costs are extremely high, and particularly in rural areas with a high proportion of Medicare and Medicaid patients. According to testimony received by your Committee, the biggest obstacles to practicing medicine in Hawaii are the high costs of living and conducting business and the low payment for service rates.



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Your Committee finds that an income tax credit for merely accepting Medicare and Medicaid patients may not be a sufficient incentive to ensure these patients receive medical treatment. A more appropriate incentive may be to provide an exemption from the general excise tax for amounts received from providing treatment to Medicare and Medicaid patients, and requests the Department of Taxation to provide an estimate of the fiscal impact of such an exemption. Additionally, your Committee has heard the concerns of the Department of Taxation that disclosure by a physician that a patient is a Medicare or Medicaid patient may be a violation of the federal Health Insurance Portability and Accountability Act.

Your Committee has amended this measure by:

- Creating a general excise tax exemption for gross proceeds arising from medical services provided by qualified physicians to Medicare and Medicaid patients, rather than an income tax credit for qualified physicians who accept Medicare and Medicaid patients;
- (2) Removing requirements that the Department of Taxation develop forms and adopt any rules necessary to allow a taxpayer to claim the proposed income tax credit;
- (3) Changing the effective date to taxable years beginning after July 1, 2050, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Health that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2235, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2235, H.D. 1, and be referred to your Committee on Finance.

> Respectfully submitted on behalf of the members of the Committee on Health,

JOHN M. MIZUNO, Chat



## State of Hawaii House of Representatives The THIRTIETH Legislature

HSCR 660-20

## **Record of Votes of the Committee on Health**

	Committee Referral:		Date:	
HB 2235 12	127, FIN 2-13-20			- 20
□ The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <ul> <li>Pass, unamended (as is)</li> <li>Pass, with amendments (HD)</li> <li>Hold</li> <li>Pass short form bill with HD to recommit for future public hearing (recommit)</li> </ul>				
HLT Members	Ayes	Ayes (WR)	Nays	Excused
1. MIZUNO, John M. (C)				
2. KOBAYASHI, Bertrand (VC)				
3. BELATTI, Della Au				19 20 4 19 19 19 19 19 19 19 19 19 19 19 19 19
4. NAKAMURA, Nadine K.				
5. SAN BUENAVENTURA, Joy A.				
6. SAY, Calvin K.Y.		•		<u>1997 - 1994 (S. 1997), 1927, 493</u>
7. TOKIOKA, James Kunane				
8. WARD, Gene			Annound and the product of any start of the second start of the se	and the second
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TOTAL (8)	1	1	Ð	-0-
The recommendation is: Adopted If joint referral, did not support recommendation.				
Vice Chair's or designee's signature: R. Cefatti				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				