

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
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STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

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GARY S. SUGANUMA
DIRECTOR

KRISTEN M. R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:
S.B. No. 1035, Relating to the General Excise Tax

BEFORE THE:
Senate Committee on Health and Human Services

DATE: Friday, February 3, 2023
TIME: 1:00 p.m.
LOCATION: State Capitol, Room 225

Chair San Buenaventura, Vice-Chair Aquino, and Members of the Committee:

The Department of Taxation (“Department”) offers the following comments regarding S.B. 1035 for your consideration.

S.B. 1035 amends section 237-24.3, Hawaii Revised Statutes, by adding a new subsection to exempt amounts received by a hospital, infirmary, medical clinic, health care facility, pharmacy, or medical practitioner for goods or services purchased under the Medicare, Medicaid or TRICARE programs from the imposition of the general excise tax (GET). The measure further clarifies that the exempted services may be performed by a physician’s assistant, nurse, or other employee under a medical practitioner’s direction rather than having to be specifically rendered by the medical practitioner. S.B. 1035, takes effect for taxable years beginning after December 31, 2023.

The Department requests that the effective date of the bill be amended to January 1, 2024.

Thank you for the opportunity to provide comments on this measure.

SB-1035

Submitted on: 1/31/2023 7:56:13 PM

Testimony for HHS on 2/3/2023 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Scott Grosskreutz, M.D.	Testifying for Hawaii Provider Shortage Crisis Task Force	Support	In Person

Comments:

Dear Senators,

Hawaii’s healthcare provider community would like to express our deep appreciation for the Senate’s past support of GET reform for healthcare services. In the 2020 session, the Senate voted to pass SB2542, exempting services by APRNs and doctors by a vote of 25-0. That bill was not heard by the House, as the session was cut short by the pandemic.

Hawaii’s access to care crisis has worsened since the COVID pandemic, which has severely stressed our healthcare system. In the Access to Care statewide survey by the Hawai’i Rural Health Association and Community First, many patients report delays in healthcare and almost 20% of respondents were considering moving from the state or their island to find care.



Nearly half of healthcare providers were considering leaving medicine, retiring, cutting hours or leaving the state.



The unfortunate fact is that many private medical practices in Hawai’i are under serious financial stress. Many are losing money and facing closure. This is simple to understand from a business perspective. Nation wide many medical practices report breaking even providing care to Medicare patients. Almost all practice lose money caring for Medicaid patients. Hawaii is the

only American state which taxes Medicare, Medicaid and TriCare medical care, which is half of Hawaii's population. Healthcare providers have to absorb this tax, which federal Medicare and TriCare policies forbid passing to patients. The GET taxes gross revenues, even when practices lose money providing care, which makes many if not most practices non-profitable.



To make things worse reimbursements are decreasing from Medicare and local insurance companies despite medical inflation that exceed the CPI. There is no business in the world that can long survive with constantly increasing costs and falling revenues.



There is no more optimal time to pass a GET exemption for healthcare than with billion dollar budget surpluses. The Healthcare Association of Hawai'i has noted that if the GET was applied to our hospitals, many would have to close or cut back services. The GET is a practice killer for our private medical practices, and in a few years few will remain. That would result in the worst of all possible worlds, where the revenues from GET taxation of healthcare trend toward zero, and a healthcare disaster where lack of access to healthcare results in worsening healthcare outcomes, with severe disparities on our Neighbor Islands. Hawaii is already dead last in the number of providers able to accept Medicare patients.



The patients are the ones who suffer. This afternoon I spoke to a very nice woman at our Hilo mammography center who had a palpable breast mass since July. She could not find a health providers to refer her for workup. Her large cancer was invading the skin with metastatic adenopathy. This is over 15 patients that I have seen present with advanced disease because they could find a primary care provider in East Hawaii in the last year.

Scott Grosskreutz, M.D., FACR

Hawaii Provider Shortage Crisis Task Force.



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LATE

The State Legislature
Senate Committee on Health and Human Services
Friday, February 3, 2023
Conference Room 225, 1:00 p.m.

TO: The Honorable Joy San Buenaventura, Chair
RE: Support of Intent for S.B. 1035 Relating to General Excise Tax

Aloha Chair San Buenaventura and Members of the Committee:

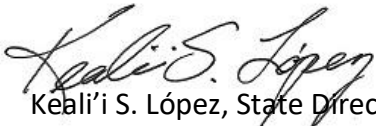
My name is Keali'i Lopez and I am the State Director for AARP Hawai'i. AARP is a nonpartisan, social impact organization that advocates for individuals age 50 and older. We have a membership of nearly 38 million nationwide and nearly 140,000 in Hawaii. We advocate at the state and federal level for the issues that matter most to older adults and their families.

AARP supports the intent of S.B. 1035 which exempts medical services provided by health care providers to patients who receive Medicaid, Medicare or TRICARE benefits from the general exercise.

There are approximately 279,000 Medicare beneficiaries in Hawai'i and AARP strongly encourages the State to explore different avenues and opportunities to increase patient access to health care providers. These patients especially kūpuna, residents in rural areas and others with limited income and health care coverage need as many physicians as possible to accept and take patients with the noted forms of healthcare coverage. This proposal is a start, however more significant efforts need to be made including reimbursement rates and other incentives that ensure Hawaii residents have access to quality, timely healthcare services and a robust healthcare workforce to keep all Hawai'i residents healthy and well.

Thank you very much for the opportunity to testify in support the intent of **S.B. 1035**.

Sincerely,


Keali'i S. López, State Director



February 3, 2023

1 p.m.

VIA VIDEOCONFERENCE

Conference Room 225

To: Senate Committee on Health and Human Services

Senator Joy A. San Buenaventura, Chair

Senator Henry J.C. Aquino, Vice Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

RE: SB1035 — RELATING TO THE GENERAL EXCISE TAX

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on [SB1035](#), which would provide a general excise tax exemption for medical services provided by healthcare providers to patients who receive Medicare, Medicaid or TRICARE.

With this bill, the Legislature would bring Hawaii into the mainstream of states that do not tax medical services on Medicare, Medicaid, or TRICARE. At present, Hawaii is one of only two states that levies a tax on medical services and the only state to tax Medicare and TRICARE.

Though nonprofit facilities are currently exempt from the GET, private practice physicians are not. Thus, private practice doctors and clinics must pay the 4% GET plus any county surcharge. As the Grassroot Institute explains in its new report, "[The case for exempting medical services from Hawaii's general excise tax](#)," the GET becomes a significant expense for doctor offices, making it difficult for such practices to thrive in our state.

A further problem comes with the application of the GET to TRICARE, Medicare, and Medicaid beneficiaries. As explained in the Grassroot Institute report, the GET cannot legally be passed on to TRICARE or Medicare patients, forcing doctors to absorb those costs entirely.

Similarly, in the case of Medicaid, doctors are forced to either pursue an indigent patient for their share of the GET, which may result in higher administrative costs than can be recouped, or deny service based on the patient's inability to pay the tax.

Under the circumstances, many private practice doctors consider it impossible to pass the tax on to Medicaid patients as well.

The result is that physicians are either disincentivized from treating Medicare, Medicaid and TRICARE patients or forced to absorb the GET for those patients.

Fortunately, there is a simple and effective solution, as described in this bill: Create a GET exemption for medical services provided to Medicare, Medicaid, and TRICARE patients.

According to research from the Grassroot Institute of Hawaii, exempting all medical services from the excise tax would help make healthcare more affordable in the state for both doctors and residents.¹

Healthcare spending for medical services in Hawaii totals about \$9 billion a year, of which the for-profit private sector accounts for \$5 billion. An exemption from the state's 4% GET would save private, for-profit medical providers approximately \$200 million. Waiving the GET surcharges imposed by the counties would save an additional \$22 million more.

This would result in substantial savings for individual practices. According to the Grassroot Institute study, the savings from that base 4% GET exemption would be about \$5,275 each for the approximately 38,000 full-time workers in the medical industry. That's the equivalent to 6.7% of the average medical service worker's wage and 5.8% of current GET collections.

Of course, those figures are for all medical services, not solely those services provided to Medicare, Medicaid and TRICARE patients. Thus, the loss of revenue from this exemption would be less, as would the savings to doctor offices and clinics.

In any case, given that the state is projecting a surplus of more than \$10 billion over the next four years, the budget could easily absorb the expense of this exemption.

There are other possible benefits to this exemption. Not only would it help reduce the cost of medical care for Hawaii residents, it likely would help alleviate the state's doctor shortage.

¹ "How the state GET affects healthcare costs in Hawaii," Grassroot Institute of Hawaii, January 2020, www.grassrootinstitute.org/wp-content/uploads/2020/01/How-the-state-GET-affects-health-care-costs-in-Hawaii.pdf

The most recent report from the Hawaii Physician Workforce Assessment Project estimates that the state has an unmet need for 776 full-time equivalent physicians. The largest area of need is in primary care, but there are significant shortages across multiple specialities.

The COVID-19 crisis helped emphasize the importance of improving healthcare access in Hawaii. It also demonstrated that we must pursue multiple strategies to address the shortage of healthcare professionals in the state.

Luring new doctors to Hawaii — and keeping those who are already here — is a complicated proposition. Many proposals would take years to demonstrate success in addressing the issue.

In the meantime, Hawaii residents will continue to suffer from the shortage of available medical professionals and the high cost of healthcare in our state.

It is hard to know exactly how beneficial this GET exemption for medical services would be, but it would at least remove a major burden for existing local practices. If this bill prevents more doctors and clinics from leaving the state or closing, it will have accomplished its goal.

At minimum, the bill may help address the disincentive that currently exists for private practice physicians to treat Medicare, Medicaid and TRICARE patients, as they will no longer be forced to absorb the cost of the GET in those cases.

It is common practice for the state to use GET exemptions to encourage or aid certain industries. Already, Hawaii exempts petroleum refining, aircraft maintenance and leasing, and orchards from the GET. We think healthcare is at least as important as any of those industries, if not more so, and I would hope that the members of this committee think so too.

State policymakers are rightly concerned with making healthcare more affordable and addressing the shortage of medical professionals in Hawaii. By creating a general excise tax exemption for medical services provided under TRICARE, Medicare and Medicaid, there is an opportunity to make Hawaii a more attractive — and less expensive — place to practice medicine.

Thank you for the opportunity to submit our comments.

Sincerely,
Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

LATE

To whom it may concern,

My name is Dr. Christian Kitamura and I am a Board-Certified Internal Medicine Physician practicing in Honolulu, Hawaii. As a local girl, born and raised in Mililani, it was a long-standing dream to become a physician who could care for the people of Hawaii. After completing my college and medical school training in Los Angeles, California, at the University of Southern California and then the David Geffen School of Medicine at UCLA, I was finally able to come back home in 2013 to complete residency training at the University of Hawaii Internal Medicine Residency Program. The practice of medicine is uniquely challenging and rewarding here in Hawaii and I have been fortunate to have mentors along the way to teach me the differences that make Hawaii so unique.

I have had the privilege of working for both large corporations in Hawaii and now currently own my own private practice, Synergy Health LLC, working in partnership with Aloha Gastroenterology LLC to serve the growing population that deserves the right to screen, treat, and prevent Colon Cancer, the 3rd leading cause death in the United States. I also work closely with our University of Hawaii Medical students as Faculty in the Learning Community Program, helping to teach and influence the future of medicine here in Hawaii. As a young physician, riddled with hundreds of thousands of student loan debt from my medical school training, I personally suffer from the GET tax rules in Hawaii that my former colleagues on the mainland do not have to deal with, while also trying to make ends meet in a high cost of living environment and lower insurance reimbursements.

Queens, HPH, HMSA are all exempt from GET and have received CARES/pandemic-related funding while private practices have not. We are short over 1000 physicians in the state of Hawaii and have the fewest young doctors in the country due to the punitive tax laws for physicians in Hawaii.

Hawaii's patients have to pay both co-pays and the GET tax on healthcare, making healthcare unaffordable to some patients.

Healthcare providers must pay their Medicare patient's GET tax, and we often absorb the GET tax for Medicaid patients as well. For many healthcare services for Medicare and especially Medicaid patients, current reimbursement rates have little or no profit margin, and the GET tax can result in the expense of the service exceeding reimbursements.

Hawaii is the only American state taxing Medicare, Medicaid and TriCare healthcare benefits. Hawaii has the fewest doctors availability to accept Medicare patients behind all other states and the District of Columbia per Wallethub. 60% of Hawaii's entire population is on Medicare, Medicaid and TriCare programs. The Neighbor Islands have severe shortages of healthcare providers.

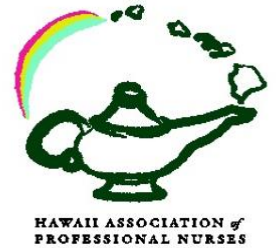
I do teach my medical students about these factors and yet still want ownership and the autonomy of entrepreneurship here in Hawaii. I urge the lawmakers to consider supporting this GET exemption if they truly want the future of healthcare in Hawaii to thrive, otherwise we will lose our locally-grown and educated talent to the mainland.

Sincerely,

Christian Y. Kitamura, MD

Synergy Health, LLC

Hawai'i Association of Professional Nurses (HAPN)



To: The Honorable Senator Joy San Buenaventura, Chair of
the Senate Committee on Health and Human Services; and

From: Hawaii Association of Professional Nurses (HAPN)

Subject: SB1035 – Relating to the General Excise Tax, in Support

Hearing: February 3, 2023, 1p.m.

Aloha Senator San Buenaventura, Chair; Senator Aquino, Vice Chair; and Committee Members,

Thank you for the opportunity to submit testimony regarding SB1035. HAPN stands with countless community organizations, private practices throughout the state, and all residents of Hawaii who receive healthcare. HAPN believes that healthcare access in Hawaii is at a point where provider supply is not in line with healthcare demand. As such, HAPN is in **Support** of removing the General Excise Tax (GET) on all services that are provided by **Advanced Practice Registered Nurses, Physician Assistants (Physician Associates), and Physicians. This GET exemption must include care provided by primary care providers and specialists.**

Our organization has always supported patient access to care in our communities and we are seeing a fast erosion of care due to clinic closures or providers no longer practicing. This is happening for many reasons to include providers moving out of state for more favorable business environments; provider retirement or death; poor reimbursement from all insurance plans to include private, state, and federal sinking clinics trying to provide care; and insurance reimbursement received not in line with the cost of doing business and the cost of living. In the Access to Care statewide survey by the Hawai'i Rural Health Association and Community First, nearly half of healthcare providers were considering leaving medicine, retiring, cutting hours or leaving the state. Hawaii is the only American state which taxes medical care. Healthcare providers have to absorb this tax, which federal Medicare and TriCare policies forbid passing to patients. The GET taxes gross revenues, even when practices lose money providing care, which makes many practices non-profitable.

HAPN's mission, to be the voice of APRNs in Hawaii, has been the guiding force that propelled us to spearhead the advancement of patients access to healthcare as well as supporting the recognition of the scope of practice for APRNs in Hawaii which led us to full practice authority. We have worked to improve the physical and mental health of our communities. As our ability to provide close care with our patients progressed, we also opened up our own clinics to provide the care our patients deserve. APRNs have played an important role in the healthcare of our communities and we will continue to be by our patients' side.

HAPN respectfully asks your Committee to pass this bill. Thank you for the opportunity to share the perspective of HAPN with your committee. Thank you for your enduring support of the nursing profession in the Aloha State.

Respectfully,
Dr. Jeremy Creekmore, APRN
HAPN President

Dr. Bradley Kuo, APRN
HAPN Legislative Committee, Chair
HAPN Past President



UNIVERSITY OF HAWAII SYSTEM

‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
Senate Committee on Health and Human Services
Friday, February 3, 2023 at 1:00 p.m.

By

Lee Buenconsejo-Lum, Acting Dean

and

Kelley Withy, MD, Professor, Department of Family Medicine and Community Health,
Hawai'i/Pacific Basin Area Health Education Center (AHEC) Director

John A. Burns School of Medicine

And

Michael Bruno, Provost

University of Hawai'i at Mānoa

SB 1035 – RELATING TO THE GENERAL EXCISE TAX

Chair San Buenaventura, Vice Chair Aquino, and Members of the Committee:

Thank you for the opportunity to provide testimony in SUPPORT of SB 1035 which exempts medical services provided by health care providers to patients who receive Medicaid, Medicare, or TRICARE benefits from the general excise tax.

Hawai'i faces a shortage of almost 800 physicians. Through the surveys of physicians conducted by the John A. Burns School of Medicine (JABSOM) at the Hawai'i Health Workforce Summit as to what could be done to recruit and retain more physicians, the fourth most popular answer from the 274 respondents to the survey was eliminating the GET on medical services. Physicians who have left the State indicate that the extra cost of caring for Medicare, Medicaid and Quest patients makes it financially burdensome to continue practicing here. For the same reason, many physicians no longer see this group of patients.

Medical services rendered at a nonprofit hospital, infirmary, or sanitarium are exempt from the general excise tax, while the same services rendered by individual or group practices or clinics are fully taxable. Presently, government programs such as Medicare, Medicaid, and TRICARE do not compensate for the difference created by the general excise tax, leading to some inconsistency in the economic impact to health care providers.

SB 1035 would be beneficial in eliminating the disparity in compensation as well as easing the financial burden of caring for patients with Medicare, Medicaid and TRICARE. This in turn may encourage more physicians to practice and remain in Hawai'i.

Thank you for the opportunity to provide testimony on this bill.

THE KŪPUNA CAUCUS



Feb 1 2023

**TO: The Committee on Health and Human Services
Chair Senator Joy A San Buenaventura
Vice Chair Senator Henry J.C. Aquino**

**Concerning: SB314, SB397, SB404, SB102, SB761, SB1477, SB1035, SB1118, SB1128,
SB1134, SB1239, SB1348**

POSITION: Enthusiastic Support of all bills

ALOHA Chair Buenaventura and Vice Chair Aquino, and all members of the committee

On behalf of the Kupuna Caucus' Health and Medical Services sub-committee I am testifying in support of all of the proposed legislation as listed above.

Each one represents a vital step towards keeping our medical professionals here in Hawaii and keeping practitioner offices open for everybody but especially for seniors who often depend on Medicare and Medicaid for health related care and procedures.

Currently it is almost impossible for individual doctors to maintain their own offices without 2 to 4 additional doctors sharing the financial burdens. The extraordinary amount of insurance related paperwork they must file to get paid is over whelming and complicated and often redundant. They have to hire accounting specialists to deal with it so only Medical Corporations survive under those conditions.

I have done my own research and ever single doctor I spoke with (and every doctor my friends/fellow seniors from precinct 2 District 27spoke with) said that the one thing that is affecting them the most are the State's excise taxes which are being addressed in SB102, 761, 1472, 1035, 1118, 1128,1134,1239, and 1348.

When patients receive a bill, they usually do not pay the tax themselves, even if their insurance Company does not pay the tax. The same applies to medical products, prescriptions, any and all support services provided by health and medical practices. In addition Medicare and Medicaid covered bill also never pay the state tax leaving the practitioners or health related institutions and facilities to cover the taxes out of pocket. A number of doctors do not accept Medicare and/Medicaid covered clients or are forced to refer current clients to other medical groups for that reason. This is as concerning as the shortage of doctors all over the state. These bills are what our state can do to encourage them to stay.

Martha E Randolph
Precinct 2 Rep, District 27 Council
DPH Environmental Caucus SCC Representative and
Member of the DPH Legislative Priorities Committee



February 2, 2023

To: Senate Health Committee
Thirty-Second Legislature, 2023 State of Hawai'i

From: East Hawaii Independent Physicians Association (dba Big Island Docs)

Subject: Support for SB1035

Dear Senators,

We represent over 50 independent private practice providers on Hawai'i Island delivering care to over 50,000 patients. We urge the legislature to exempt Medicaid, Medicare and TriCare health plan payments from the State of Hawaii's General Excise Tax for services we provide. This tax has made it difficult for us to stay in business and continue to serve our community. It has contributed to our severe doctor shortage. Hawai'i has the largest percentage of physicians in private practice in the nation, and it is important that the private practice of medicine remain sustainable for the health and well-being of our community. Our community risks losing even more physicians as their operations become financially unsustainable.

On behalf of our membership, we urge you to pass SB1035 into law.

Mahalo,

A handwritten signature in black ink, appearing to read "Lynda Dolan".

Lynda Dolan, MD
President

A handwritten signature in black ink, appearing to read "Brenda Camacho".

Brenda Camacho, MD
Secretary & Treasurer

A handwritten signature in black ink, appearing to read "Craig Shikuma".

Craig Shikuma, MD
Medical Director, BIHC

www.bigislanddocs.com

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HAWAII MEDICAL ASSOCIATION

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www.hawaiimedicalassociation.org

SENATE COMMITTEE ON HEALTH & HUMAN SERVICES

Senator Joy A San Buenaventura, Chair

Senator Henry JC Aquino, Vice Chair

Date: February 3, 2023

From: Hawaii Medical Association

Beth England MD, Co-Chair, HMA Public Policy Committee

Re: SB 1035 Relating to the General Excise Tax

Position: Support

The purpose of this measure is to exempt medical service providers who receive Medicare, Medicaid, and TRICARE payments from the general excise tax.

The worsening healthcare crisis in Hawaii is a tremendous hardship and source of suffering for our citizens. Enrollment in Hawaii MedQUEST (Medicaid program) has jumped 40% since the start of the COVID-19 pandemic. The 2022 Access to Care CDC-funded comprehensive statewide survey of patients and providers found that low-income individuals experience incredible delays and barriers to healthcare services. Native Hawaiians and Pacific Islanders are particularly affected.

Causes for healthcare disparities are multifactorial, but are unquestionably linked to the unremitting decline in our Hawaii physician workforce. The estimated unmet need for physicians is approximately 776 full-time equivalents (FTE) with percentage shortages most profound on the Big Island.

	Hawai'i County	Honolulu County	Kaua'i County	Maui County	Statewide
Shortage	183 (187)	382 (344)	45 (43)	167 (158)	776 (732)
Percent	37% (40%)	15% (15%)	26% (26%)	40% (40%)	22% (22%)

While efforts toward expansion of healthcare training programs and loan repayment play a vital role in physician recruitment and retention, they do not address the challenge facing many physicians currently practicing in Hawaii. A large number of the physician practices do not have the financial capacity to continue providing quality care in the face of ever-decreasing Medicare/ Medicaid reimbursements coupled with the General Excise Tax (GET). Healthcare providers must absorb this tax, which federal law forbids passing to patients.

(continued)

HMA OFFICERS

President – Angela Pratt, MD President-Elect – Elizabeth Ann Ignacio, MD
Immediate Past President – Michael Champion, MD Treasurer – Nadine Tenn Salle, MD
Secretary – Thomas Kosasa, MD Executive Director – Marc Alexander



HAWAII MEDICAL ASSOCIATION

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As more physician practices are crushed under the heavy weight of practice expenses, our most vulnerable patients, particularly those in rural and underserved communities, cannot access local providers in a timely fashion to receive the diagnosis and treatment they desperately need. HMA urges legislators to support a GET exemption for medical services of Medicare, Medicaid and TRICARE providers, as a reasonable and essential step in the future survival and sustainability of our Hawaii healthcare.

Thank you for allowing the Hawaii Medical Association to testify in support of this measure.

References and Quick Links:

Cocke S. Hawaii Medicaid enrollment up 40% since start of pandemic. [Honolulu Star Advertiser Dec 19 2022.](#)

University of Hawaii System Annual Report. Report to the 2023 Legislature. [Annual Report on findings from the Hawaii Physician Workforce Assessment Project. Dec 2022.](#)

Access to Care. Health for our communities. Community First Hawaii. [July 2022 Report.](#)

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Immediate Past President – Michael Champion, MD Treasurer – Nadine Tenn Salle, MD
Secretary – Thomas Kosasa, MD Executive Director – Marc Alexander



KLEIN NATURAL

HEALTH AND WELLNESS CENTER

February 2, 2023

To: Senator Joy A. San Buenaventura, Chair
Senator Henry J.C. Aquino, Vice Chair
Members of the Committee on Health and Human Services

From: Rachel M. Klein, ND, DC, DACNB-FIBFN-CNDH

Re: SB1035, Relating to The General Excise Tax
February 3, 2023, at 1:00pm

Position: **SUPPORT, WITH COMMENTS**

As a dual licensed Naturopathic Physician & Chiropractor, I support this bill and respectfully request the amendments below.

Naturopathic Physicians and Chiropractors both function as primary care physicians in the state and may receive reimbursements from the government contractors. These professions aid in relieving the ongoing health care provider shortage and, like the other professions noted in the bill, the medical services they provide should not be taxed. In addition to the included provider types, Naturopathic Physicians and Chiropractors should be added to this measure.

Offered amendments:

To clarify that naturopathic physicians & chiropractors may provide medical services including under this tax exemption, please change page 8 line, 19 through page 9, line 2 to read:

““Medical practitioner” means a physician or osteopathic physician, licensed pursuant to chapter 453; a naturopathic physician licensed pursuant to chapter 455; an advanced practice registered nurse licensed pursuant to chapter 457; a chiropractor licensed pursuant to chapter 442 or a pharmacist licensed pursuant to chapter 461;”

Thank you for your time and attention to this matter,

Dr. Rachel M. Klein

Support for SB1035

I am a physician on the Big Island and the president of Hawaii Radiologic Associates, LLC. We provide radiology services for almost the entire island. We were once a group of 15 radiologists and now there are only 6 of us left which required us to join a mainland radiology group. We can no longer provide services without the support of a larger group and subsidize our work with areas on the mainland who have much better reimbursements. The 6 of us love this island and call Hawaii home but we cannot recruit any one to join us because of the poor pay and high expenses. My son, a recent graduate of John A Burns School of Medicine, will also be a radiologist and would like to return home but will not be able to unless the environment changes. He has student loans to pay off in addition to the high cost of food, medical care and housing in Hawaii should he choose to move home. It is time to do something significant for the private practitioners so everyone will receive adequate health care in Hawaii. Thank you.

LATE

SB-1035

Submitted on: 2/2/2023 1:28:33 PM

Testimony for HHS on 2/3/2023 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Keith Marrack	Testifying for Hawaii Island Chamber of Commerce	Support	Written Testimony Only

Comments:

Dear Senators,

The Hawai'i Island Chamber of Commerce Economic Development Committee recently hosted Dr. Lynda Dolan and Dr. Dan Belcher to get a better handle on the challenges facing private practice physicians in the state. One of the issues they brought up is the general excise tax (GET). While federal and state facilities are exempt, private practice physicians are required to pay the GET for their services. They can pass this cost on to private payers, but the federal government prohibits them from passing these costs on to Medicare and Medicaid patients. So basically they are forced to eat this cost. Hawai'i already has the lowest Medicare and Medicaid reimbursement rates in the nation and these rates are set to be cut by 8% in 2023. In addition, 50% of patients in the state are covered by Medicare and Medicaid. We are already 1000 doctors short across the state and 300 on Hawai'i Island alone. We should be doing everything we can to make it attractive for a physician to be in Hawai'i.

As such, we strongly encourage you to support the exemption of all medical practices from the GET. This will benefit current physicians and make it more attractive for future physicians to want to work and stay in Hawai'i. We are one of only two states in the nation that taxes medical care, and the results are being felt as physicians choose to practice elsewhere, retire, or change careers. Private physicians in East Hawai'i take care of about 1/3 of all patients. They are critical to our health care needs and the needs of prospective employers and employees. If we can't get the needed coverage on the island, business will choose to go somewhere else.

Thank you for doing all you can to support our local physicians so they can provide the healthcare we so badly need in the state and on the Island.

Aloha,

Keith Marrack

Hawaii Island Chamber of Commerce Vice President and Economic Development Chair

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Exemption for Medical Services for Medicare; Medicaid; TRICARE

BILL NUMBER: SB 1035, HB 662

INTRODUCED BY: SB by INOUYE, CHANG, KEITH-AGARAN, MCKELVEY, Wakai; HB by BELATTI, AMATO, HUSSEY-BURDICK, KAPELA, KOBAYASHI, MARTEN, MIZUNO, NISHIMOTO, TAKENOUCI, TAM, TARNAS

EXECUTIVE SUMMARY: Exempts medical services provided by health care providers to patients who receive Medicaid, Medicare, or TRICARE benefits from the general excise tax.

SYNOPSIS: Amends section 237-24.3, HRS, by adding a new paragraph providing an exemption for amounts received by a hospital, infirmary, medical clinic, health care facility, pharmacy, or a medical practitioner for health care related goods or services purchased under the Medicare, Medicaid, or TRICARE program. Services need not be performed by a medical practitioner but may be performed by a physician's assistant, nurse, or other employee under the medical practitioner's direction.

Defines "medical practitioner" as a physician or osteopathic physician, licensed pursuant to chapter 453; an advanced practice registered nurse licensed pursuant to chapter 457; or a pharmacist licensed pursuant to chapter 461.

Defines "Medicaid" as the program established under Title XIX of the Social Security Act of 1935, as amended.

Defines "Medicare" as the program established under Title XVIII of the Social Security Act of 1935, as amended.

Defines "TRICARE" as the program of the Department of Defense military health system managed by the Defense Health Agency, or any successor program."

EFFECTIVE DATE: Taxable years beginning January 1, 2024.

STAFF COMMENTS: As stated in the bill's preamble, medical services rendered at a nonprofit hospital, infirmary, or sanitarium are exempt from the tax, whereas the same services rendered by individual or group practices or clinics are fully taxable. Insurance providers and Medicare do not compensate for the tax differential, leading some health care providers to bear additional economic costs.

This problem is especially acute when the payer is a governmental health program. Medicare regulations (42 CFR sec. 424.55(b)) prohibit the surcharging of most additional costs to patients, including taxes. Medicare Claims Processing Manual, ch. 23, sec. 80.3.1.A

(<https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads-/clm104c23.pdf>) . We understand that Medicaid and TRICARE have similar prohibitions.

In the meantime, there is a physician shortage in Hawaii that has been well documented. The final Hawai'i Physician Workforce Assessment Project Report for 2020 (https://www.hawaii.edu/govrel/docs/reports/2021/act18-sslh2009_2021_physician-workforce_annual-report_508.pdf) conducted by the University of Hawai'i at Mānoa John A. Burns School of Medicine (JABSOM) and submitted to the Hawai'i State Legislature in December 2020, the pandemic has challenged continued physician practice in Hawai'i and is expected to increase the relative shortage of physicians for the state for the next several years as older physicians leave their practices.

Some physician groups have alleged that the GET applied to medical services has been one of the drivers of this shortage. This assertion is backed up by the 2008-2010 experience of Hawaii Medical Center (HMC), a for-profit hospital which went into bankruptcy and tried to reorganize as a nonprofit. That plan, according to HMC's then-CFO, would relieve the hospitals of as much as \$6 million in annual taxes, including general excise and property taxes.

The Foundation does believe that there is evidence supporting an industry-specific GET exemption here.

Digested: 2/1/2023



Date: February 2, 2022

To: Senator Joy A. San Buenaventura, Chair
Senator Henry J.C. Aquino, Vice Chair
Members of the Committee on Health and Human Services

From: Hawai'i Society of Naturopathic Physicians

Re: SB1035, Relating to The General Excise Tax
February 3, 2023, at 1:00pm

Position: **COMMENTS**

The Hawai'i Society of Naturopathic Physicians supports the intent of this bill and respectfully requests the amendments below. We recognize that reducing the tax burden for healthcare services would increase availability and access to healthcare.

Naturopathic Physicians function as primary care physicians in the state and should be included in this measure. We aid in relieving the ongoing health care provider shortage and, like the other professions noted in the bill, the medical services we provide should not be taxed. In addition to the included provider types, Naturopathic Physicians should be added to this measure.

Offered amendments:

To clarify that naturopathic may provide medical services included under this tax exemption, please change page 8 line, 19 through page 9, line 2 to read:

““Medical practitioner” means a physician or osteopathic physician, licensed pursuant to chapter 453; a naturopathic physician licensed pursuant to chapter 455; an advanced practice registered nurse licensed pursuant to chapter 457; or a pharmacist licensed pursuant to chapter 461;”

Thank you for your time and attention to this matter,

Baron Glassgow
Executive Director
Hawai'i Society of Naturopathic Physicians

February 2, 2023

Dear Legislatures,

Thank you for your consideration of SB1035, SB102, SB1128, and SB1239 as it relates to GET exemption of medical services. I am writing as a young physician who will hopefully be taking care of our aging Hawaii community hopefully for decades to come. I am writing about the future of healthcare for the people of Hawaii, particularly patients with Medicare, Medicaid, and Tricare insurance.

Hawaii has the lowest rate of Medicare acceptance in the entire Nation. Hawaii also has one of the lowest rates of young physicians per capita. Hawaii is consistently ranked as the worst or top 3 worst states to work in as a physician. We have a physician shortage in Hawaii, particularly on the neighbor islands, especially in this pandemic. The physicians on Oahu are tasked with caring for patients from all islands. It is increasingly more difficult to obtain a visit with a primary care doctor or a specialist. These problems will only get worse if we do not take active steps towards finding a resolution.

The problem is multifactorial and we must address all root causes – some of these are economic. The Hawaii GE tax laws is part of the problem for both patients and physicians. Hawaii is only one of two states that taxes healthcare in America. Physicians pass-through the GET to patients with private/commercial insurance. This is particularly financially impactful if a patient has a procedure such a colonoscopy to screen for colon cancer or need surgery for a heart bypass. Is it unethical to tax patients for medical care that is medically necessary? Why do patients have to pay a \$50+ tax to get their colonoscopy? Why are we only one of two states in America (New Mexico being the other) to tax patients when they are sick or trying to get/stay healthy?

On the physician side, the GE tax is most relevant for physicians who take care of patients with Medicare/Medicaid/Tricare, our more vulnerable population of patients. **The GE tax cannot be legally passed on to patients with Medicare/Medicaid/Tricare.** Hawaii already has one of the lowest Medicare reimbursements in the nation and the GE tax amplifies this further. The GE tax directly contributes to why Hawaii has the lowest Medicare acceptance rate in the entire nation despite having one of the highest rates of seniors per capita.

Many of my colleagues have had to make the difficult decision to discharge their patients once they transition to Medicare and or Medicaid because it is economically unsustainable to continue to provide care services with up to a 4.712% margin reduction off gross reimbursements. Can you imagine being a patient and not being able to see your doctor of 20+ years anymore just because you are retired and have Medicare? These patients shift to centers such as ours, but we are overwhelmed and unable to accommodate such large volume of patients in a timely manner. Please help us. We need more doctors to accept Medicare, Medicaid, and Tricare.

The truth is this: Physicians have a choice to not accept Medicare/Medicaid/Tricare patients and have been making that choice because it is the path of least resistance. Patients with Medicare/Medicaid/Tricare do not have a choice. The GET is not a physician's problem, this is a patients' problem affecting healthcare access and options.

I am writing because my wait time for new consultations is typically > 6 months and very often longer. This is the case for many physicians and it is unreasonable to ask patients who are ill to wait this period of time. I am sure that you or a family member have experienced unnecessary delays in seeing a physician in a timely manner. For some patients, this time may mean the difference between life and death. We need more physicians to serve the people of Hawaii.

I have been seeing more and more young and talented physicians leave the state of Hawaii. I have young physician colleagues who won't return to the state of Hawaii to work because the math is very simple for them: they get paid more everywhere outside of Hawaii, they get taxed far less, and have a lower cost of living. We need more physicians in Hawaii and we must plant the seeds now. GE tax reform will directly help with this physician shortage especially for Medicare/Medicaid/Tricare patients and resolve the unethical issue of taxing patients for being ill. We need reform. We need your action.

With gratitude for your consideration of GE tax reform,

Cindy Pau, M.D.

References: Medicare regulations (42 CFR sec. 424.55(b)) prohibit the surcharging of most additional costs to patients, including taxes. Medicare Claims Processing Manual, ch. 23, sec. 80.3.1.A (<https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/clm104c23.pdf>) .

SB-1035

Submitted on: 2/1/2023 4:01:05 PM

Testimony for HHS on 2/3/2023 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Dr. Guy Yatsushiro	Individual	Support	Written Testimony Only

Comments:

Support

SB-1035

Submitted on: 2/1/2023 4:07:18 PM

Testimony for HHS on 2/3/2023 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Dara Yatsushiro	Individual	Support	Written Testimony Only

Comments:

Stand in SUPPORT

SB-1035

Submitted on: 1/31/2023 8:41:13 PM

Testimony for HHS on 2/3/2023 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Will Caron	Individual	Support	Written Testimony Only

Comments:

I support providing economic relief to low-income working families through a GET exemption on medical services provided by health care providers to patients who receive Medicaid, Medicare, or TRICARE benefits. While sweeping GET exemptions in other bills poorly-target relief, benefitting rich people as well as those in need, this exemption is more thoughtfully crafted. Because it is targeted toward low-income folks, the subsequent drop in GET revenue for the general fund will be more manageable.

However, Hawai'i's current budget surplus will likely only last for a few years at most, and we have many important programs and investments that we need to make with our tax revenue to alleviate poverty, transform our economy, our infrastructure and our housing market, and preserve our environment for future generations. If this tax exemption is to go forward, I think lawmakers should very seriously consider embracing revenue-raising tax fairness proposals that can make up the difference in lost revenue. To fund the future our keiki deserve, we need to change the way we tax wealth. Mahalo.

SB-1035

Submitted on: 2/2/2023 10:14:22 AM

Testimony for HHS on 2/3/2023 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Chad Imanaka	Individual	Support	Written Testimony Only

Comments:

Strongly support this to increase health care provider incentives to continue or bring in more providers who may be consider moving to Hawaii to practice. This can in turn potentially help to reduce the shortage of health care providers in Hawaii.

SB-1035

Submitted on: 2/2/2023 11:52:34 AM

Testimony for HHS on 2/3/2023 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Allen Novak	Individual	Support	Written Testimony Only

Comments:

I wish to testify in support of SB 1035.

I initially lived on Oahu but have been a resident of Hilo for 30 years and a practicing nurse.

Hawaii has a severe shortage of healthcare providers, with some of the worst shortages of primary care providers in America. The shortage is not as significant on Oahu as it is on the neighbor islands. Hawaii Island has a shortage of over 40%. I personally have had problems accessing a primary care provider in the East Hawaii Island area, and have not received the healthcare which I, as a nurse, know I needed.

Medical practices are under considerable financial stress due to rapidly rising costs and falling reimbursements from insurance programs. Hawaii's unique taxation of healthcare services with the General Excise Tax amplifies the challenges facing medical practices by taxing gross revenues, even when providers break even or lose money providing healthcare services. One reason medical private practice is dying is because Hawaii has the highest cost of living in the nation, by far, and the near-lowest insurance reimbursements in the nation. On top of that, Hawaii is the ONLY state in the nation to tax the Federal health insurance programs Medicare / Medicaid (Quest) and Tri-Care (military), which combined is 50% of all people in our state. By federal law, this 4.7% GET tax cannot be passed on to patients. A 4.7% GET on practice gross receipts is more like a 11-25% hit to their net income.

Please help save medical practices in Hawaii by supporting SB 1035!

Allen Novak

SB-1035

Submitted on: 2/2/2023 12:17:16 PM

Testimony for HHS on 2/3/2023 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Gail Lakritz	Individual	Support	Written Testimony Only

Comments:

Weighing being a resident of Hawaii Island who recognizes the need for a supportive tax base, but as a human being who empathizes with the need for qualified medical care on the island, I must choose the needs of the population over the balance sheet. The people of our islands deserve better than suffering with the inadequate medical system we now face.

Doctors find Hawaii too expensive as it is, and to cut into their income with the GET tax, only exacerbates the problem. I have personally lost 2 really good, young and well educated doctors because the expense of doing business here impacted their personal lives. These doctors come here expecting to stay, only to find out they cannot afford it.

We must do everything we can to retain doctors, not chase them back to the mainland. I have had friends who were forced to leave the islands because family members couldn't get treatment for chronic conditions. We must up our medical game to retain professionals.

I ask that you pass SB1035 to reduce an undue burden on our medical community.
Thank you.

LATE

SB-1035

Submitted on: 2/2/2023 1:58:56 PM

Testimony for HHS on 2/3/2023 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Laeton J Pang, MD, MPH, FACR, FACRO	Individual	Support	Written Testimony Only

Comments:

I am writing in support of SB 1035. The provider shortage in Hawaii has become increasingly desperate, particularly on the Neighbor Islands but also becoming an issue on Oahu. The physician and nursing shortage is a national issue, but the high cost of living, the low reimbursements, the increasing cost for staff salaries, benefits, and supplies to keep a practice open are driving private practices to close and providers to go work on the mainland where they can get paid more. Patients are finding it increasingly difficult to get medical care in a timely fashion which will lead to increased health care disparities and worse outcomes. Hawaii is one of only two states in the nation to levy a GET on gross medical income for private practice that cannot be passed on to Medicare and Medicaid patients further eroding the bottom line. I support a multipronged approach to deal with the provider shortage, including GET reform and increasing Medicaid payments to Medicare parity. Thank you.