

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M. R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

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

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 1128, Relating to Health Care Services

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. 1128 for your consideration.

S.B. 1128 adds a new section to Chapter 237, Hawaii Revised Statutes, to exclude all of the amounts received from medical services rendered by physicians and advance practice registered nurses acting in the capacity as a primary care provider. “Medical services” is further defined to include those service provided within a hospital, medical clinic, and private medical practices that are performed by health care practitioners who are licensed to render services under Chapter 453 or Chapter 457. S.B. 1128 takes effect on January 1, 2024.

The Department is able to administer this measure by the current effective date.

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



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: SB1128 — RELATING TO HEALTH CARE SERVICES

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on [SB1128](#), which would provide a general excise tax exemption for medical services provided by physicians and advanced practice registered nurses acting in the capacity of a primary care provider.

With this bill, the Legislature would bring Hawaii into the mainstream of states that do not tax medical services. 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: creating a GET exemption for medical services.

According to research from the Grassroot Institute of Hawaii, exempting 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.

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.

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.

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 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 a 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.

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, 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

SB-1128

Submitted on: 1/31/2023 8:00:59 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	Remotely Via Zoom

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.

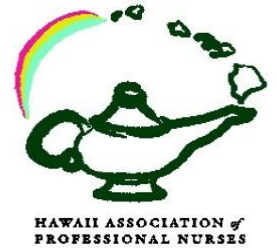


The patients are the ones who suffer. This afternoon I spoke to a very nice woman at our Hilo mammography center who had a palpable breast mass since July. She could not find a health providers to refer her for workup. Her large cancer was invading the skin with metastatic adenopathy. This is over 15 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.

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: SB1128 – Relating to Health Care Services, 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 SB1128. 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

Support for SB1128

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.



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 1128 – RELATING TO HEALTH CARE SERVICES

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

Thank you for the opportunity to provide testimony in SUPPORT of SB 1128 which provides an exemption from the general excise tax (GET) for medical services performed by physicians and advances practice registered nurses (APRNs) acting in the capacity of a primary care provider.

Hawai'i faces a shortage of almost 800 physicians, as well as a shortage of providers in almost every other field of health care, including nursing. 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, leading to inconsistency in the economic impact to health care providers. Additionally, tax exemptions are allowed for various non-medical services including aircraft leasing and maintenance, convention expenses, petroleum refining and orchards. In light of the disparate tax structure combined with the low reimbursement for services rendered to patients having Medicaid, Medicare, and

TRICARE, Hawai'i faces challenges recruiting physicians and other health care providers to the state.

This measure may encourage more physicians and APRNs to practice and remain in Hawai'i so that our communities have access to needed health care, especially in rural areas and on the Neighbor Islands.

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



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

Hearing Date/Time: Friday, February 3, 2023, 1:00 p.m.
Place: Conference Room 225 & Via Videoconference

Re: SB1128, Relating to Health Care Services

Dear Chair San Buenaventura, Vice Chair Aquino, and Committee Members,

Thank you for this opportunity to provide testimony on SB1128, which seeks to exempt gross proceeds from medical services provided by physicians and advanced practice registered nurses acting in the capacity of a primary care provider from the general excise tax.

Hawai`i Academy of Physician Assistants (HAPA) SUPPORTS SB1128, WITH AMENDMENTS

HAPA is the Hawaii state chapter of The American Academy of Physician Assistants.

According to the 2021 annual report on findings from the Hawaii physician workforce assessment report, there is a twenty-two per cent shortage of physicians statewide, with neighbor island counties facing the most severe shortages.

Paradoxically, since 2016, the number of practicing physician assistants has increased by 105% on the island of Hawai`i, 114% on Kauai, and 35% on Maui. Exponential growth of practicing physician assistants in Hawai`i, positions them to fill healthcare delivery gaps during an unremitting physician shortage.

Physician assistants are highly skilled licensed medical providers, who receive rigorous medical training modeled on medical school curriculum, which includes rotations in family medicine, internal medicine, general surgery, pediatrics, obstetrics and gynecology, emergency medicine, psychiatry, and other specialty electives. Physician assistant training programs typically require thousands of hours of previous clinical care experience before matriculation is even considered.

Notably, physician assistants are one of the three health care professionals (along with physicians and nurse practitioners) authorized by the Affordable Care Act to serve as primary care provider (PCP).

HAPA supports SB1128, but respectfully requests amendments that will revise HRS Chapter 237 to include physician assistants as medical providers, who are acting in in the capacity of primary care provider, to be exempted from, and excluded from the measure of taxes imposed by this chapter all of the gross proceeds arising from medical services provided the physician assistant.

Amendments to the language of SB1128 would read as follows:

"The purpose of this Act is to help reduce the impact of the general excise tax on the shortage of physicians, **physician assistants**, and



advanced practice registered nurses by exempting all gross proceeds from medical services provided by physicians, **physician assistants**, and advanced practice registered nurses acting in the capacity of a primary care provider from the general excise tax.

SECTION 2. Chapter 237, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§237- Exemption for medical services; physicians; **physician assistants; advanced practice registered nurses.** (a) There shall be exempted from, and excluded from the measure of, the taxes imposed by this chapter all of the gross proceeds arising from medical services provided by physicians, **physician assistants**, and advanced practice registered nurses acting in the capacity of a primary care provider.

(b) For the purposes of this section, "medical services" includes those services provided within hospitals, medical clinics, and private medical practices that are performed by health care practitioners who are licensed to render services under chapter 453 or chapter 457."

Thank you for the committee's consideration of this proposed amendment and the opportunity to provide testimony on this matter.

Sincerely,

Hawai'i Academy of Physician Assistants

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

Friday, February 3, 2023 at 1:00 PM
Via Video Conference; Conference Room 225

Senate Committee on Health and Human Services

To: Senator Joy San Buenaventura, Chair
Senator Henry Aquino, Vice Chair

From: Michael Robinson
Vice President, Government Relations & Community Affairs

Re: **Testimony in Support of SB 1128
Relating To Health Care Services**

My name is Michael Robinson, and I am the Vice President of Government Relations & Community Affairs at Hawai'i Pacific Health. Hawai'i Pacific Health is a not-for-profit health care system comprised of its four medical centers – Kapi'olani, Pali Momi, Straub and Wilcox and over 70 locations statewide with a mission of creating a healthier Hawai'i.

HPH writes in support of SB 1128 which exempts from the general excise tax gross proceeds from medical services provided by physicians and advanced practice registered nurses acting in the capacity of primary care provider.

Hawai'i faces a shortage of almost 800 physicians. This physician shortage is more acutely felt on the neighbor islands and in rural communities. 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, revealed that the fourth most popular answer from the 274 respondents to the survey was eliminating the GET on medical services.

Physicians as well as advanced practice registered nurses play an important role in providing primary care. A primary care provider is essential to help an individual navigate to good health and stay healthy; preventing disease by identifying risk factors; coordinating and managing chronic disease care for longevity and a better quality of life. Patients who have regular and routine access to a primary care provider experience fewer emergency department visits, and thus, reduce the overall cost of health care.

The imposition of the general excise tax is inconsistent depending on the structure of the facility and whether or not the provider practices in a group setting or individually. Medical services rendered at a nonprofit hospital, infirmary, or sanitarium are exempt from the

general excise tax, while the same services rendered by a for-profit hospital or individual or group practices or clinics are fully taxable, leading to some inconsistency in the economic impact to health care providers. Additionally, tax exemptions are allowed for various non-medical services including aircraft leasing and maintenance, convention expenses, petroleum refining and orchards. In light of the disparate tax structure combined with the low reimbursement for services rendered to patients having Medicaid, Medicare, and TRICARE, Hawai'i faces challenges recruiting physicians and other health care providers to the state.

This measure would be beneficial in alleviating the financial difficulties experienced by health care providers in Hawai'i and provides an incentive to practitioners to remain in Hawai'i or come to the State to practice.

Thank you for the opportunity to testify.

LATE

SB-1128

Submitted on: 2/2/2023 1:30:42 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



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 SB1128

Dear Senators,

We represent 50 independent private practice providers on Hawai'i Island delivering care to over 50,000 patients. We urge the legislature to exempt medical services provided by physicians and advanced practice registered nurses from the State of Hawaii's General Excise Tax. 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 providers working in private practice in the nation. It is important that the private practice of medicine remain sustainable for the health of our current and future workforce and their families. Our community risks losing even more physicians as their operations become financially unsustainable.

On behalf of our membership, we urge you to pass SB1128 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

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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: SB1128, Relating to Health Care Services
February 3, 2023, at 1:00pm

Position: **SUPPORT, WITH COMMENTS**

I support the intent of this measure and respectfully request the amendments below. I recognize the reducing the tax burden for healthcare services would increase availability and access to healthcare, however this should not be limited to only a few healthcare professions.

I offer the following amendments to the language to be more inclusive of the varied licensed health care professions within the state.

Offered amendments:

To clarify that this applies to all licensed health care providers in the state, please change page 4 line 4 to 15 to read: “§237- Exemption for medical services; ~~{physicians; advanced practice registered nurses}~~ health care providers. (a) There shall be exempted from, and excluded from the measure of, the taxes imposed by this chapter all of the gross proceeds arising from medical services provided by ~~{physicians and advanced practice registered nurses acting in the capacity of a primary care provider}~~ health care providers.

(b) For the purposes of this section, "medical services" includes those services provided within hospitals, medical clinics, and private medical practices that are performed by health care providers ~~{practitioners who are licensed to render services under chapter 453 or chapter 457}~~.

(c) For the purposes of this section, “health care provider” means an individual licensed, certified, or otherwise authorized or permitted by the law of this state to administer health care in the ordinary course of business or practice of a profession;”

Thank you for your time and attention to this matter,

Dr. Rachel M. Klein

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

GENERAL EXCISE, Exemption for Medical Services

BILL NUMBER: SB 1128, HB 240

INTRODUCED BY: SB by MCKELVEY, CHANG, KANUHA, KEITH-AGARAN, Kidani, Shimabukuro, Wakai; HB by KAPELA, AMATO, CHUN, HUSSEY-BURDICK, LAMOSAO, LOWEN, MARTEN, PERRUSO, POEPOE, TAM, TARNAS, WARD

EXECUTIVE SUMMARY: Exempts gross proceeds from medical services provided by physicians and advanced practice registered nurses acting in the capacity of a primary care provider from the general excise tax.

SYNOPSIS: Adds a new section to chapter 237, HRS, to exempt all of the gross proceeds arising from medical services provided by physicians and advanced practice registered nurses acting in the capacity of a primary care provider.

Defines "medical services" as including those services provided within hospitals, medical clinics, and private medical practices that are performed by health care practitioners who are licensed to render services under chapter 453 or chapter 457.

EFFECTIVE DATE: January 1, 2024.

STAFF COMMENTS: 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

Re: SB 1128, HB 240

Page 2

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: SB1128, Relating to Health Care Services

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

Naturopathic Physicians in the state of Hawai'i serve as primary care physicians as do other licensed health care providers. Therefore, the care we provide should also be included within this measure. We offer the following amendments to the language to be more inclusive of the varied licensed health care professions within the state.

Offered amendments:

To clarify that medical services performed by naturopathic physicians and other valid healthcare professions are included, please change page 4 line 4 to 15 to read:

"§237- Exemption for medical services; ~~[-physicians; advanced practice registered nurses]~~ health care providers. (a) There shall be exempted from, and excluded from the measure of, the taxes imposed by this chapter all of the gross proceeds arising from medical services provided by ~~[physicians and advanced practice registered nurses acting in the capacity of a primary care provider]~~ health care providers.

(b) For the purposes of this section, "medical services" includes those services provided within hospitals, medical clinics, and private medical practices that are performed by health care providers ~~[practitioners who are licensed to render services under chapter 453 or chapter 457].~~"

(c) For the purposes of this section, "health care provider" means an individual licensed, certified, or otherwise authorized or permitted by the law of this state to administer health care in the ordinary course of business or practice of a profession;

Thank you for your time and attention to this matter,

Baron Glasgow, Executive Director
Hawai'i Society of Naturopathic Physicians

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January 31, 2023

Re: SB1128

Hearing Friday February 3, 2023 1:00 pm

Committee on Health and Human Services
Senator Joy A. San Buenaventura, Chair
Senator Henry J.C. Aquino, Vice Chair

There are several bills scheduled for this hearing that pertain to exemptions to the Hawaii General Excise tax.

Some of them, such as SB1128, contain provisions that would exclude naturopathic physicians (NDs) and should be amended to be inclusive. SB1128 would be discriminatory in its present version.

Mahalo for your consideration.

Sincerely,

Michael Traub ND

SB-1128

Submitted on: 2/2/2023 11:19:15 AM

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

Submitted By	Organization	Testifier Position	Testify
Esther Smith	Individual	Support	In Person

Comments:

Once a week in the year 2023 I have recommended a patient move to the mainland to receive care for a life-threatening condition because providing adequate care to patients on Big Island has gone from difficult to sometimes impossible. When I complained to my colleagues who practice on Oahu I was shocked to learn the challenges I thought were unique to the neighbor islands exist on Oahu. These include but are not limited to long wait times for diagnostic tests and appointments with specialists. Lack of access and delays in care result in advanced disease and death. The provider shortage crisis has inevitably become a health care crisis.

Health care in Hawaii’s number one rating in US News and World report is a mirage that policy makers and health insurance companies conjure in to justify inaction. They use the argument that “we are number one for healthcare” to rationalize continuing systemic low reimbursement and punitive taxes while denying the deteriorating, dysfunctional health care system. Having the longest life expectancy in the nation is not a product of a robust healthcare system but is rather a gift from the islands and the culture it inspires. The people who live in Hawaii have lower rates of smoking and obesity, the beauty of the islands and the sprit of Aloha -that is why they live longer. Further US News and World Report also fails to appreciate that having an insurance card does not equal having access to care.

Increasing reimbursement is a crucial step in improving patient care and halting ongoing closures. SB397 would make Medicaid fees equal to Medicare fees. Medicaid in this state pays primary care approximately 53% of what is paid by Medicare. (Kaiser Family Foundation 2019) It is worth noting that Hawaii already has one of the lowest Medicare acceptance rates in the nation, Medicaid is markedly worse. Clinics and hospitals are operating in the red largely due to this unsustainable level of funding. Increases to Medicaid fee payments are a better way to address the health care crisis than grants. Grants can be distributed ineffectively or funneled to special interest groups: Paying more for care ensures that the people providing the care can keep their clinics and hospitals open.

The General Excise Tax on health care dis-incentivizes taking care of Medicare, Medicaid patients and our veterans because the taxes on healthcare services must be paid by the provider – by federal law. The financial impact of the tax is far greater than it would appear. If a clinic were to provide \$1,000,000 in services and like at my clinic 75% of them were Medicare, Medicaid and veterans then the tax that the clinic would pay on those services would be \$30,000. 85% or more of what the clinic brings in is spent of health insurance, wages and other overhead. This leaves \$150,000 in actual wages to the physician before taxes. After taxes this is about \$110,000 – this means the actual impact of the GET on the physician is more like 25% than 4. SB102, SB 761, SB SB1118, SB1128 would make a serious impact on health facilities all over the state.

It has been argued that the provider shortage is not due to punitive taxes or low reimbursement- Instead, we are told the lack of doctors is because it is difficult to train enough docs to keep up with retirements and people going to the mainland. Further it is said that the goal shouldn't be to replace doctors because health care is evolving. And it is evolving, it is evolving to a system where the people who rely on Medicare and Medicaid are served by CVS minute clinics, giant health systems and overburdened federally qualified access clinics while the prosperous are seen by the few remaining private practice physicians who have been forced stopped taking insurance altogether.

It doesn't have to be this way but it soon will be. We do not have to lose the small clinics the same way we lost the mom and pop pharmacies My own clinic teeters at the edge of closure. My nurse practitioner is taking a voluntary leave of absence to ease the strain because her seeing more patients doesn't cover the costs. In our seeing more people actually loses us money. This month, instead of being paid, I have started using my retirement savings that I accrued before I moved to Hawaii to meet our expenses. This is the final stand for us. Removing the GET from healthcare and paying for Medicaid services at the same rate as Medicare will save clinics and hospitals. It may be too late for mine, even if these bills were to be enacted today, but you can save other facilities. In saving the clinics and hospitals you will be saving people. Please act now.

SB-1128

Submitted on: 2/1/2023 9:42:19 AM

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

Submitted By	Organization	Testifier Position	Testify
frederick a.nitta, md, inc	Individual	Support	Written Testimony Only

Comments:

Please pass some form of tax relief for Hawaii health care providers, especially those in private practice. If not, the availability of providers will only worsen. This will lead to a monopoly by the hospitals and insurance companies which I believe is not in the best interest of patients. Furthermore, the cost will not be as high as predicted, as previous studies included all providers, many of which work for non-profits that already do not pay the GET.

Sincerely,

Dr. Frederick A. Nitta, M.D., Inc.

SB-1128

Submitted on: 2/1/2023 4:01:55 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-1128

Submitted on: 2/1/2023 4:06:22 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-1128

Submitted on: 2/2/2023 11:49:11 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 1128.

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 1128!

Allen Novak

SB-1128

Submitted on: 1/31/2023 9:10:31 PM

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

Submitted By	Organization	Testifier Position	Testify
Kimberly Matsunaga	Individual	Support	Written Testimony Only

Comments:

APRNs and nursing in general looks at a patient as a whole. Why do nurses and APRNs get punished for wanting a more personable approach to medicine?! Why should medical clinics be exempt from general excise tax (GET) when services are provided by an APRN? Honestly, more patient attention and patient satisfaction come from nursing care! Since I give orders, these services are "performed by an APRN". I support SB1128, SB102, SB761 and oppose SB1134 as it specifically excludes cosmetic procedures.