
A BILL FOR AN ACT

RELATING TO HEALTH CARE.

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

1 PART I

2 SECTION 1. The legislature finds that many of the
3 residents of Hawaii are increasingly unable to obtain timely and
4 appropriate health care because of physician and dentist
5 shortages. These shortages primarily affect the rural areas of
6 our state. In the area of medical services, they are especially
7 acute in disciplines such as family practice,
8 obstetrics/gynecology, and orthopedics.

9 The legislature further finds that the increasingly high
10 cost of a physician's professional education requires physicians
11 to seek out the higher incomes that allow them to repay their
12 student loans. However, physician salaries in rural shortage
13 areas are often lower than those in nonshortage areas.

14 Loan forgiveness programs have been successfully used in
15 Hawaii to increase the number of educators serving in hard-to-
16 fill teaching positions, and can also be used to encourage and
17 enable students to enter the medical profession and provide care
18 in shortage areas. Incentives such as stipends can be provided



1 to physicians and dentists to offset the lower salaries offered
2 in shortage areas. Further, making the enterprise zone business
3 tax credit and general excise tax exemption available to
4 physicians and dentists who practice in those zones, provides
5 another incentive that will increase access to health care
6 professionals in Hawaii's underserved areas.

7 PART II

8 SECTION 2. The purpose of part II of this Act is to
9 establish the Hawaii health corps that will provide:

10 (1) Loan forgiveness to students at the University of
11 Hawaii John A. Burns School of Medicine who agree to
12 work at least five years as a physician in health
13 professional shortage areas of the state, and as first
14 responders during civil defense and other emergencies;
15 and

16 (2) Stipends for physicians and dentists who agree to
17 provide services in health professional shortage areas
18 of the state, and as first responders during civil
19 defense and other emergencies.

20 SECTION 3. The Hawaii Revised Statutes is amended by
21 adding a new chapter to be appropriately designated and to read
22 as follows:



1 "CHAPTER

2 HAWAII HEALTH CORPS

3 § -1 **Definitions.** As used in this chapter, unless the
4 context otherwise requires:

5 "Dentist" means a person licensed under chapter 448.

6 "Department" means the department of health.

7 "Director" means the director of health.

8 "Eligible education and training program" means an
9 education and training program administered by the University of
10 Hawaii John A. Burns School of Medicine that leads to
11 eligibility for a license under chapter 453.

12 "Enrollment requirement" means the requirement that the
13 recipient of a program loan enroll in and complete an eligible
14 education and training program.

15 "Health professional shortage area" means areas of the
16 state designated by the Health Resources and Services
17 Administration of the United States Department of Health and
18 Human Services as having shortages of primary medical care,
19 dental care, or mental health care providers, including any
20 rural area of the state and areas served by community health
21 centers.



1 "Licensure requirement" means the requirement that the
2 recipient of a health corps program loan take and pass any
3 examinations required for licensure as a physician, and become
4 licensed under chapter 453.

5 "Physician" means a person licensed under chapter 453.

6 "Loan forgiveness" means the waiver of repayment of a
7 program loan, in whole or in part.

8 "Program" means the Hawaii health corps program.

9 "Service obligation" means the duty to provide health care
10 services in a health professional shortage area of the state and
11 during periods declared to be an emergency by the governor,
12 undertaken in exchange for program loan forgiveness or a
13 physician or dentist stipend from the program.

14 "Sponsoring community" means a hospital or a county
15 government that serves to identify prospective eligible students
16 for the program.

17 **§ -2 Hawaii health corps program established.** The
18 Hawaii health corps program is established to encourage
19 physicians and dentists to serve in areas of the state where
20 there is a shortage of these health care providers or relatively
21 high numbers of uninsured patients. The program shall be



1 administered by the department. In administering this program,
2 the department shall:

3 (1) Adopt rules and develop guidelines to administer the
4 program;

5 (2) Identify and designate health professional shortage
6 areas;

7 (3) Identify and approve eligible education and training
8 programs;

9 (4) Establish criteria for the selection, and select
10 eligible students to participate in the loan
11 forgiveness portion of the program;

12 (5) Establish criteria for the selection, and select
13 physicians and dentists to participate in the stipend
14 portion of the program;

15 (6) Define and determine compliance with the program
16 enrollment requirement, licensure requirement, and
17 service obligations;

18 (7) Collect and manage repayments from loan recipients who
19 do not meet their enrollment requirement, licensure
20 requirement, or service obligations under the program;



- 1 (8) Publicize the program, particularly to maximize
2 participation by individuals who live in health
3 professional shortage areas;
- 4 (9) Solicit and accept grants and donations from public
5 and private sources for the program; and
- 6 (10) Establish criteria and procedures for calling program
7 participants into service during a civil defense or
8 other emergency.

9 **§ -3 Hawaii rural physician loan program.** (a) There
10 is created the Hawaii rural physician loan program to be
11 administered by the department in partnership with a financial
12 institution whose operations are principally conducted in
13 Hawaii. The program shall provide loans to not more than twenty
14 eligible students per year who agree to:

- 15 (1) Enroll in and complete an eligible education and
16 training program;
- 17 (2) Take and pass any examinations required for licensure
18 under section 453-4 and become licensed under chapter
19 453;
- 20 (3) Serve as a physician in a health professional shortage
21 area of the state for five consecutive years
22 commencing not later than six months after completing



1 the residency portion of the eligible education and
2 training program; and

3 (4) At any time during the five years of service under
4 paragraph (3), serve as a physician first responder
5 during a period declared by the governor to be an
6 emergency.

7 (b) Loans shall be made to cover the cost of tuition
8 necessary to complete an eligible education and training
9 program, but shall not exceed five years of tuition.

10 Eligibility for loans shall be determined by the department
11 on a competitive basis. Preference for loans shall be given to
12 students who reside in or were residents of a health
13 professional shortage area, and students seeking admission to an
14 eligible education and training program who are recommended by a
15 sponsoring community located in a health professional shortage
16 area.

17 (c) If the loan recipient has satisfied the recipient's
18 enrollment requirement, licensure requirement, and service
19 obligation, the total amount of the recipient's loan and
20 interest shall be waived.

21 (d) If a loan recipient fails to satisfy the recipient's
22 enrollment requirement, licensure requirement, or service



1 obligation, then the recipient shall repay three times the
2 amount of the loan in periodic installments within a period not
3 to exceed seven years, commencing three months after the loan
4 recipient fails to honor the enrollment requirement, licensure
5 requirement, or service obligation. The department may charge
6 late fees and all other reasonable costs for the collection of
7 delinquent loans.

8 (e) In accordance with chapter 103D, the department may
9 enter into written contracts with collection agencies for the
10 purpose of collecting delinquent loans. All payments collected,
11 exclusive of a collection agency's commissions, shall revert and
12 be credited to the Hawaii health corps fund. A collection
13 agency that enters into a written contract with the department
14 for the collection of delinquent loans pursuant to this section
15 may collect a commission from the debtor in accordance with the
16 terms of, and up to the amounts authorized in, the written
17 contract.

18 (f) Liability for repayment of a loan may be waived or the
19 conditions of repayment adjusted for loan recipients who fail to
20 meet their service obligation for good cause. Liability for
21 repayment of a loan shall be canceled upon the death or
22 permanent total disability of the borrower. As used in this



1 subsection, "total disability" shall have the same meaning as
2 "person totally disabled" in section 235-1.

3 **§ -4 Hawaii health corps stipend.** (a) The department
4 shall award stipends of not more than \$10,000 per year to not
5 more than one hundred physicians or dentists per year who agree
6 to:

7 (1) Provide during the stipend year not less than fifty
8 per cent of their services in a health professional
9 shortage area or not less than ten per cent of their
10 services to uninsured patients; and

11 (2) Provide first responder emergency services during
12 civil defense and other emergencies proclaimed under
13 section 127-10 or 128-7.

14 (b) No limitation shall be placed on expenditure of the
15 stipend by the recipient. The department shall determine the
16 manner and timing of stipend payments to ensure performance of
17 the stipend service obligation. Not more than ten years of
18 stipends shall be paid to any one recipient. The recipient of a
19 program loan is ineligible for a stipend.

20 **§ -5 Hawaii health corps first responder service**
21 **obligation.** In the event of a civil defense or other emergency,
22 proclaimed under section 127-10 or 128-7, physicians and



1 dentists participating in the Hawaii health corps program may be
2 ordered into service by the governor as a critical action relief
3 lineup to serve in areas of the state and in a capacity
4 determined by the director.

5 **§ -6 Criteria for selecting loan and stipend**

6 **recipients.** The department shall establish a planning committee
7 to assist the department in developing criteria for the
8 selection of loan and stipend recipients. The department shall
9 include on the planning committee representatives of the
10 department, the University of Hawaii John A. Burns School of
11 Medicine, health care facilities, provider groups, consumers,
12 community and technical colleges, county government, and other
13 appropriate public and private agencies and organizations.

14 **§ -7 Technical assistance for potential sponsoring**

15 **communities.** The department may provide technical assistance to
16 allow county governments or hospitals serving rural communities
17 to:

- 18 (1) Become sponsoring communities for the purpose of
19 identifying prospective students for the program;
20 (2) Assist prospective students with applying for
21 admission into an eligible education and training
22 program;



1 (3) Enter into formal agreements with prospective students
2 to provide licensed health care services in the
3 sponsoring community;

4 (4) Form agreements to share physicians and dentists with
5 other entities serving rural communities; and

6 (5) Fulfill any matching funds requirements.

7 **§ -8 Rules.** The department shall adopt rules to
8 implement the program. The rules shall be adopted pursuant to
9 chapter 91, but shall be exempt from public notice and public
10 hearing requirements.

11 **§ -9 Hawaii health corps fund.** (a) There is
12 established in the treasury of the State the Hawaii health corps
13 fund, to be administered by the department. Any funds
14 appropriated by the legislature for the program, gifts,
15 donations, and grants from public agencies and private persons,
16 loan payments, proceeds of the operations of the program, and
17 interest earned or accrued on moneys deposited in the fund shall
18 become a part of the fund.

19 (b) The department may expend moneys from the fund for the
20 purposes of this chapter."

21 SECTION 4. The department of health shall implement the
22 Hawaii health corps program no later than June 30, 2010.



1 information technology design and production services, medical
2 and health care services, [øø] education and training services,
3 or performs medical research, clinical trials, or telemedicine,
4 as defined in this chapter."

5 SECTION 7. Section 209E-9, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "**§209E-9 Eligibility; qualified business; sale of property**
8 **or services.** (a) Any business firm may be eligible to be
9 designated a qualified business for purposes of this chapter if
10 the business:

11 (1) Begins the operation of a trade or business within an
12 enterprise zone;

13 (2) During each taxable year has at least fifty per cent
14 of its enterprise zone establishment's gross receipts
15 attributable to the active conduct of trade or
16 business within the enterprise zone;

17 (3) Increases its average annual number of full-time
18 employees by at least ten per cent by the end of its
19 first tax year of participation; and

20 (4) During each subsequent taxable year at least maintains
21 that higher level of employment.



1 (b) A business firm also may be eligible to be designated
2 a qualified business for purposes of this chapter if the
3 business:

4 (1) Is actively engaged in the conduct of a trade or
5 business in an area immediately prior to an area being
6 designated an enterprise zone;

7 (2) Meets the requirements of subsection (a)(2); and

8 (3) Increases its average annual number of full-time
9 employees employed at the business' establishment or
10 establishments located within the enterprise zone by
11 at least ten per cent annually.

12 (c) Subsections (a) and (b) notwithstanding, any business
13 firm that is engaged in providing medical and health care
14 services may be eligible to be designated a qualified business
15 for purposes of this chapter if the business either meets the
16 requirements of subsection (a)(1) and (2) or (b)(1) and (2).

17 [~~e~~] (d) After designation as an enterprise zone, each
18 qualified business firm in the zone shall submit annually to the
19 department an approved form supplied by the department that
20 provides the information necessary for the department to
21 determine if the business firm qualifies as a qualified
22 business. The approved form shall be submitted by each business



1 to the governing body of the county in which the enterprise zone
2 is located, then forwarded to the department by the governing
3 body of the county.

4 ~~[(d)]~~ (e) The form referred to in subsection (c) shall be
5 prima facie evidence of the eligibility of a business for the
6 purposes of this section.

7 ~~[(e)]~~ (f) Tangible personal property shall be sold at an
8 establishment of a qualified business within an enterprise zone
9 and the transfer of title to the buyer of the tangible personal
10 property shall take place in the same enterprise zone in which
11 the tangible personal property is sold. Services shall be sold
12 at an establishment of a qualified business engaged in a service
13 business within an enterprise zone and the services shall be
14 delivered in the same enterprise zone in which sold. Any
15 services rendered outside an enterprise zone shall not be deemed
16 to be the services of a qualified business.

17 ~~[(f)]~~ (g) For any fiscal year that includes September 11,
18 2001, a business may use its average annual number of full-time
19 employees as of August 31, 2001--rather than its average annual
20 number at the end of its fiscal year including September 11,
21 2001--if necessary to meet the requirements of subsection (a)(3)
22 and (4) or (b)(3). A business may also use its average annual



1 number of full-time employees at the end of its fiscal year that
2 includes September 11, 2001, as its base number of full-time
3 employees if necessary to meet the requirements of subsection
4 (a)(3) and (4) or (b)(3) in future fiscal years.

5 PART IV

6 SECTION 8. There is appropriated out of the general
7 revenues of the State of Hawaii the sum of \$2,000,000 or so much
8 thereof as may be necessary for fiscal year 2008-2009 for the
9 Hawaii health corps program.

10 The sum appropriated shall be expended by the department of
11 business, economic development, and tourism for the purposes of
12 part II of this Act.

13 SECTION 9. There is appropriated out of the general
14 revenues of the State of Hawaii the sum of \$100,000 or so much
15 thereof as may be necessary for fiscal year 2008-2009 for the
16 administration of health care enterprise zones.

17 The sum appropriated shall be expended by the department of
18 business, economic development, and tourism for the purposes of
19 part III of this Act.

20 SECTION 10. Statutory material to be repealed is bracketed
21 and stricken. New statutory material is underscored.



H.B. NO. 2519

1 SECTION 11. This Act shall take effect on July 1, 2008.

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Report Title:

Health Care; Loans; Stipends; Enterprise Zones

Description:

Establishes the Hawaii Health Corps Program to provide student loans and physician and dentist stipends, and makes the enterprise zone business tax credit and general excise tax exemption available to physicians and dentists who practice in those enterprise zones. Requires participants in the Hawaii Health Corps Program to serve as first responders in times of civil defense or other emergencies declared by the governor.

