
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 repayment 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 physicians and dentists to provide care in shortage
18 areas. Incentives such as stipends can be provided to



1 physicians and dentists to offset the lower salaries offered in
2 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 this part is to establish the
9 Hawaii health corps that will provide:

- 10 (1) Loan repayment for physicians and dentists who agree
11 to work in health professional shortage areas of the
12 state and as first responders during civil defense and
13 other emergencies; and
- 14 (2) Stipends for physicians and dentists who agree to
15 provide services in health professional shortage areas
16 of the state and as first responders during civil
17 defense and other emergencies.

18 SECTION 3. The Hawaii Revised Statutes is amended by
19 adding a new chapter to be appropriately designated and to read
20 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 that leads to eligibility for
10 licensure under chapter 453 or 448.

11 "Health professional shortage area" means:

- 12 (1) Areas of the state designated by the Health Resources
13 and Services Administration of the United States
14 Department of Health and Human Services as having
15 shortages of primary medical care, mental health care,
16 or dental care providers;
- 17 (2) Counties with a population of less than five hundred
18 thousand residents;
- 19 (3) Rural areas of the state; and
- 20 (4) Areas served by community health centers.

21 "Loan repayment" means the payment of the lesser of up to
22 \$30,000 per year for not more than five years or twenty per cent

1 of the amount outstanding on a loan or loans to pay for an
2 eligible education and training program.

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

4 "Program" means the Hawaii health corps program.

5 "Service obligation" means the physician's or dentist's
6 duty to provide health care services in a health professional
7 shortage area of the state and during periods declared to be an
8 emergency by the governor, undertaken in exchange for program
9 loan repayment or a physician or dentist stipend from the
10 program.

11 **§ -2 Hawaii health corps program established.** The
12 Hawaii health corps program is established to encourage
13 physicians and dentists to serve in health professional shortage
14 areas. The program shall be administered by the department. In
15 administering this program, the department shall, in conjunction
16 with the John A. Burns school of medicine:

17 (1) Adopt rules and develop guidelines to administer the
18 program;

19 (2) Identify and designate health professional shortage
20 areas;



- 1 (3) Establish criteria for the selection, and select
- 2 physicians and dentists to participate in the stipend
- 3 portion of the program;
- 4 (4) Define and determine compliance with the program
- 5 service obligations;
- 6 (5) Collect and manage reimbursements from loan repayment
- 7 recipients who do not meet their service obligations
- 8 under the program;
- 9 (6) Publicize the program, particularly to maximize
- 10 participation by individuals who live in health
- 11 professional shortage areas;
- 12 (7) Solicit and accept grants and donations from public
- 13 and private sources for the program; and
- 14 (8) Establish criteria and procedures for calling program
- 15 participants into service during a civil defense or
- 16 other emergency.

17 **§ -3 Hawaii rural health care provider loan repayment**
18 **program.** (a) There is created the Hawaii rural health care
19 provider loan repayment program to be administered by the
20 department in partnership with a financial institution whose
21 operations are principally conducted in Hawaii. The Hawaii
22 rural health care provider program shall provide loan repayments



1 to not more than twenty physicians or dentists per year who
2 commit to:

3 (1) Serve as a physician in a health professional shortage
4 area of the state, at the same practice site for:

5 (A) Three consecutive years for graduates of the John
6 A. Burns school of medicine; and

7 (B) Five consecutive years for all other licensed
8 physicians or dentists who graduated from an
9 eligible education and training program within
10 the United States;

11 and

12 (2) At any time during the three or five years of service
13 under paragraph (1), serve as a physician first
14 responder during a period declared by the governor to
15 be an emergency;

16 provided that there shall be not more than one hundred
17 participants at any given time; provided further that not more
18 than fifteen per cent of the health care providers selected
19 annually to receive loan repayments shall be dentists.

20 (b) Loan repayments shall not exceed \$30,000 per year over
21 a maximum of five years or twenty per cent of the amount
22 outstanding on a loan or loans used to pay for a physician's or



1 dentist's eligible education and training program, which ever is
2 less.

3 Eligibility for loan repayments shall be determined by the
4 department on a competitive basis. Preference for loan
5 repayments shall be given to physicians and dentists who reside
6 in or were residents of a health professional shortage area, and
7 physicians who graduated from the John A. Burns school of
8 medicine.

9 (c) If a loan repayment recipient fails to satisfy the
10 recipient's service obligation, the recipient shall reimburse
11 the program for the total amount of loan repayments received
12 under the program, in periodic installments within a period not
13 to exceed five years, commencing three months after the loan
14 repayment recipient fails to honor the service obligation. The
15 department may charge initial late fees, and the costs of
16 collecting delinquent reimbursements of loan repayments.

17 (d) In accordance with chapter 103D, the department may
18 enter into written contracts with collection agencies to collect
19 delinquent reimbursements of loan repayments. All payments
20 collected, exclusive of a collection agency's commissions, shall
21 revert and be credited to the Hawaii health corps fund. A
22 collection agency that enters into a written contract with the



1 department to collect delinquent reimbursements of loan
2 repayments pursuant to this section may collect a commission
3 from the debtor in accordance with the terms of, and up to the
4 amounts authorized in, the written contract.

5 (e) Liability for reimbursement of a loan repayment may be
6 waived or the conditions of reimbursement adjusted for loan
7 repayment recipients who fail to meet their service obligation
8 for good cause. Liability for reimbursement of a loan repayment
9 shall be canceled upon the death or permanent total disability
10 of the borrower. As used in this subsection, "total disability"
11 shall have the same meaning as "person totally disabled" in
12 section 235-1.

13 **§ -4 Hawaii health corps stipend.** (a) The department
14 shall award stipends of not more than \$10,000 per year to not
15 more than one hundred physicians or dentists per year who agree
16 to:

17 (1) Provide during the stipend year not less than fifty
18 per cent of their services in a health professional
19 shortage area or not less than ten per cent of their
20 services to uninsured patients; and



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

4 (b) No limitation shall be placed on expenditure of the
5 stipend by the recipient. The department shall determine the
6 manner and timing of stipend payments to ensure performance of
7 the stipend service obligation. Not more than ten years of
8 stipends shall be paid to any one recipient. The recipient of a
9 program loan repayment is ineligible for a stipend.

10 **§ -5 Hawaii health corps first responder service**

11 **obligation.** In the event of a civil defense or other emergency,
12 proclaimed under section 127-10 or 128-7, physicians and
13 dentists participating in the Hawaii health corps program may be
14 ordered into service by the governor as first responders to
15 serve in areas of the state and in a capacity determined by the
16 director.

17 **§ -6 Criteria for selecting loan repayment and stipend**

18 **recipients.** The department shall establish a planning committee
19 to assist the department in developing criteria for the
20 selection of loan repayment and stipend recipients. The
21 department shall include on the planning committee
22 representatives of the department, the University of Hawaii John



1 A. Burns School of Medicine, health care facilities, provider
2 groups, consumers, community and technical colleges, county
3 government, and other appropriate public and private agencies
4 and organizations.

5 **§ -7 Rules.** The department shall adopt rules to
6 implement the program. The rules shall be adopted pursuant to
7 chapter 91, but shall be exempt from public notice and public
8 hearing requirements.

9 **§ -8 Hawaii health corps fund.** (a) There is
10 established in the treasury of the State the Hawaii health corps
11 fund, to be administered by the department. Any funds
12 appropriated by the legislature for the program, gifts,
13 donations, and grants from public agencies and private persons,
14 reimbursements of loan repayments, proceeds of the operations of
15 the program, and interest earned or accrued on moneys deposited
16 in the fund shall become a part of the fund.

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

19 SECTION 4. The department of health shall implement the
20 Hawaii health corps program no later than June 30, 2009.

21 The director of health shall report to the legislature on
22 the status of the Hawaii health corps program no later than



1 twenty days prior to the convening of each regular session of
2 the legislature beginning with the regular session of 2009.

3 PART III

4 SECTION 5. The purpose of part III of this Act is to
5 increase access to quality health care in health care
6 professional shortage areas by making the enterprise zone
7 business tax credit, general excise tax exemption, and other
8 business incentives available to physicians and dentists who
9 establish or maintain practices in areas designated as
10 enterprise zones.

11 SECTION 6. Section 209E-2, Hawaii Revised Statutes, is
12 amended by amending the definitions of "medical and health care
13 services" and "service business" to read:

14 "Medical and health care services" means diagnosis,
15 treatment, or other acts permissible under chapters 448 and 453,
16 but does not include medical research, clinical trials, and
17 telemedicine[~~, but not routine medical treatment or services~~].

18 "Service business" means any corporation, partnership, or
19 sole proprietorship that repairs ships, aircraft, or assisted
20 technology equipment, provides telecommunication services,
21 information technology design and production services, medical
22 and health care services, [ø] education and training services,



1 or performs medical research, clinical trials, or telemedicine,
2 as defined in this chapter."

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

5 "**§209E-9 Eligibility; qualified business; sale of property**
6 **or services.** (a) Any business firm may be eligible to be
7 designated a qualified business for purposes of this chapter if
8 the business:

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

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

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

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

20 (b) A business firm also may be eligible to be designated
21 a qualified business for purposes of this chapter if the
22 business:



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

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

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

9 (c) Subsections (a) and (b) notwithstanding, any business
10 firm that is engaged in providing medical and health care
11 services may be eligible to be designated a qualified business
12 for purposes of this chapter if:

13 (1) The business either meets the requirements of
14 subsection (a)(1) and (2) or (b)(1) and (2); and

15 (2) The business is located within a health professional
16 shortage area of the state designated by the Health
17 Resources and Services Administration of the United
18 States Department of Health and Human Services as
19 having shortages of primary medical care, mental
20 health care, or dental care providers, including any
21 county with a population of less than five hundred
22 thousand residents, rural areas of the state, areas



1 served by community health centers, and any other area
2 identified by the department of health.

3 ~~[(e)]~~ (d) After designation as an enterprise zone, each
4 qualified business firm in the zone shall submit annually to the
5 department an approved form supplied by the department that
6 provides the information necessary for the department to
7 determine if the business firm qualifies as a qualified
8 business. The approved form shall be submitted by each business
9 to the governing body of the county in which the enterprise zone
10 is located, then forwarded to the department by the governing
11 body of the county.

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

15 ~~[(e)]~~ (f) Tangible personal property shall be sold at an
16 establishment of a qualified business within an enterprise zone
17 and the transfer of title to the buyer of the tangible personal
18 property shall take place in the same enterprise zone in which
19 the tangible personal property is sold. Services shall be sold
20 at an establishment of a qualified business engaged in a service
21 business within an enterprise zone and the services shall be
22 delivered in the same enterprise zone in which sold. Any

1 services rendered outside an enterprise zone shall not be deemed
2 to be the services of a qualified business.

3 ~~[(f)]~~ (g) For any fiscal year that includes September 11,
4 2001, a business may use its average annual number of full-time
5 employees as of August 31, 2001--rather than its average annual
6 number at the end of its fiscal year including September 11,
7 2001--if necessary to meet the requirements of subsection (a)(3)
8 and (4) or (b)(3). A business may also use its average annual
9 number of full-time employees at the end of its fiscal year that
10 includes September 11, 2001, as its base number of full-time
11 employees if necessary to meet the requirements of subsection
12 (a)(3) and (4) or (b)(3) in future fiscal years."

13 PART IV

14 SECTION 8. There is appropriated out of the general
15 revenues of the State of Hawaii the sum of \$300,000 or so much
16 thereof as may be necessary for fiscal year 2008-2009 for the
17 creation of the Hawaii health corps program.

18 The sum appropriated shall be expended by the department of
19 health for the purposes of part II of this Act.

20 SECTION 9. There is appropriated out of the general
21 revenues of the State of Hawaii the sum of \$100,000 or so much



1 thereof as may be necessary for fiscal year 2008-2009 for the
2 administration of health care enterprise zones.

3 The sum appropriated shall be expended by the department of
4 business, economic development, and tourism for the purposes of
5 part III of this Act.

6 SECTION 10. Statutory material to be repealed is bracketed
7 and stricken. New statutory material is underscored.

8 SECTION 11. This Act shall take effect on July 1, 2008;
9 provided that section 7 shall apply to taxable years beginning
10 and gross proceeds received after December 31, 2008.



Report Title:

Health Care; Loan Repayments; Stipends; Enterprise Zones

Description:

Establishes the Hawaii Health Corps Program to provide student loan repayments 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 enterprise zones that are in health professional shortage areas of the state and areas designated by the Department of Health. 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. (HB2519 HD1)

