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# 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 requires otherwise:

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) Eligibility for loan repayments shall be determined by  
21 the department on a competitive basis. Preference for loan  
22 repayments shall be given to physicians and dentists who reside



1 in or were residents of a health professional shortage area, and  
2 physicians who graduated from the John A. Burns school of  
3 medicine.

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

12 (d) In accordance with chapter 103D, the department may  
13 enter into written contracts with collection agencies to collect  
14 delinquent reimbursements of loan repayments. All payments  
15 collected, exclusive of a collection agency's commissions, shall  
16 revert and be credited to the Hawaii health corps fund. A  
17 collection agency that enters into a written contract with the  
18 department to collect delinquent reimbursements of loan  
19 repayments pursuant to this section may collect a commission  
20 from the debtor in accordance with the terms of, and up to the  
21 amounts authorized in, the written contract.



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

9 § -4 Hawaii health corps stipend. (a) The department  
 10 shall award stipends of not more than \$10,000 per year to not  
 11 more than one hundred physicians or dentists per year who agree  
 12 to:

13 (1) Provide during the stipend year not less than fifty  
 14 per cent of their services in a health professional  
 15 shortage area or not less than ten per cent of their  
 16 services to uninsured patients; and

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

20 (b) No limitation shall be placed on expenditure of the  
 21 stipend by the recipient. The department shall determine the  
 22 manner and timing of stipend payments to ensure performance of



1 the stipend service obligation. Not more than ten years of  
2 stipends shall be paid to any one recipient. The recipient of a  
3 program loan repayment is ineligible for a stipend.

4       **§ -5 Hawaii health corps first responder service**  
5 **obligation.** In the event of a civil defense or other emergency,  
6 proclaimed under section 127-10 or 128-7, physicians and  
7 dentists participating in the Hawaii health corps program may be  
8 ordered into service by the governor as first responders to  
9 serve in areas of the state and in a capacity determined by the  
10 director.

11       **§ -6 Criteria for selecting loan repayment and stipend**  
12 **recipients.** The department shall establish a planning committee  
13 to assist the department in developing criteria for the  
14 selection of loan repayment and stipend recipients. The  
15 department shall include on the planning committee  
16 representatives of the department, the University of Hawaii John  
17 A. Burns school of medicine, health care facilities, provider  
18 groups, consumers, community and technical colleges, county  
19 government, and other appropriate public and private agencies  
20 and organizations.

21       **§ -7 Rules.** The department shall adopt rules to  
22 implement the program. The rules shall be adopted pursuant to



1 chapter 91, but shall be exempt from public notice and public  
2 hearing requirements.

3 § -8 Hawaii health corps fund. (a) There is  
4 established in the treasury of the State the Hawaii health corps  
5 fund, to be administered by the department. Any funds  
6 appropriated by the legislature for the program, gifts,  
7 donations, and grants from public agencies and private persons,  
8 reimbursements of loan repayments, proceeds of the operations of  
9 the program, and interest earned or accrued on moneys deposited  
10 in the fund shall become a part of the fund.

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

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

15 The director of health shall report to the legislature on  
16 the status of the Hawaii health corps program no later than  
17 twenty days prior to the convening of each regular session of  
18 the legislature beginning with the regular session of 2009.

19 PART III

20 SECTION 5. The purpose of part III of this Act is to  
21 increase access to quality health care in health care  
22 professional shortage areas by making the enterprise zone



1 business tax credit, general excise tax exemption, and other  
2 business incentives available to physicians and dentists who  
3 establish or maintain practices in areas designated as  
4 enterprise zones.

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

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

12 "Service business" means any corporation, partnership, or  
13 sole proprietorship that repairs ships, aircraft, or assisted  
14 technology equipment, provides telecommunication services,  
15 information technology design and production services, medical  
16 and health care services, [~~or~~] education and training services,  
17 or performs medical research, clinical trials, or telemedicine,  
18 as defined in this chapter."

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

21 "**§209E-9 Eligibility; qualified business; sale of property**  
22 **or services.** (a) Any business firm may be eligible to be



1 designated a qualified business for purposes of this chapter if  
2 the business:

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

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

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

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

14 (b) A business firm also may be eligible to be designated  
15 a qualified business for purposes of this chapter if the  
16 business:

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

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

21 (3) Increases its average annual number of full-time  
22 employees employed at the business' establishment or



1 establishments located within the enterprise zone by  
2 at least ten per cent annually.

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

7 (1) The business either meets the requirements of  
8 subsection (a) (1) and (2) or (b) (1) and (2); and  
9 (2) The business is located within a health professional  
10 shortage area of the state designated by the Health  
11 Resources and Services Administration of the United  
12 States Department of Health and Human Services as  
13 having shortages of primary medical care, mental  
14 health care, or dental care providers, and shall  
15 include any county with a population of less than five  
16 hundred thousand residents, rural areas of the state,  
17 areas served by community health centers, and any  
18 other area identified by the department of health.

19 ~~(e)~~ (d) After designation as an enterprise zone, each  
20 qualified business firm in the zone shall submit annually to the  
21 department an approved form supplied by the department that  
22 provides the information necessary for the department to



1 determine if the business firm qualifies as a qualified  
2 business. The approved form shall be submitted by each business  
3 to the governing body of the county in which the enterprise zone  
4 is located, then forwarded to the department by the governing  
5 body of the county.

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

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

19 ~~[(f)]~~ (g) For any fiscal year that includes September 11,  
20 2001, a business may use its average annual number of full-time  
21 employees as of August 31, 2001--rather than its average annual  
22 number at the end of its fiscal year including September 11,



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

7 PART IV

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

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

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

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

1 PART V

2 SECTION 10. Statutory material to be repealed is bracketed  
3 and stricken. New statutory material is underscored.

4 SECTION 11. This Act shall take effect on July 1, 2020;  
5 provided that section 7 shall apply to taxable years beginning  
6 and gross proceeds received after December 31, 2008.





**Report Title:**

Health Care; Loan Repayments; Stipends; Enterprise Zones

**Description:**

Establishes the Hawaii Health Corps that will provide loan repayment and stipends for physicians and dentists who agree to work in health professional shortage areas and as first responders during civil defense and other emergencies. Expands the Enterprise Zone Business Tax Credit, general excise tax exemption, and other business incentives to include physicians and dentists who establish or maintain practices in areas designated as enterprise zones. Appropriates funds. (HB2519 HD2)

