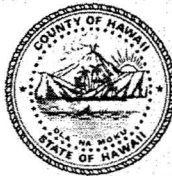


Harry Kim
Mayor



Dixie Kaetsu
Managing Director

Barbara J. Kossow
Deputy Managing Director

County of Hawaii

25 Aupuni Street, Room 215 • Hilo, Hawaii 96720-4252 • (808) 961-8211 • Fax (808) 961-6553
KONA: 75-5706 Kuakini Highway, Suite 103 • Kailua-Kona, Hawai'i 96740
(808) 329-5226 • Fax (808) 326-5663

January 22, 2008

Representative Josh Green, Chair
Representative John Mizuno, Vice-chair
Committee on Health
Hawai'i State Capitol
Honolulu, HI 96813

RE: HB 1996, Relating to Health Care Professionals

Dear Chair Green, Vice Chair Mizuno and Committee Members:

The County of Hawai'i is in support of HB 1996, Relating to Health Care, which establishes Health Enterprise Zones in the state to provide incentives for health care providers to serve in health professional shortage areas.

Health care on the Island of Hawai'i is in a state of crisis. The Island of Hawai'i is in need of opportunities to improve our provision of health care, especially in our rural areas. The shortage of adequate health care facilities and equipment negatively affects the quality of care our residents receive as well as the travel time required to receive care. In addition, it affects our ability to recruit and retain health care professionals.

According to workgroup results from the December 1, 2007 Hawai'i Island Health Care Conference, the high start-up costs for building new facilities and the high costs of medical equipment is cited as a common barrier to resolution of these shortages. The results also showed that the dismal condition of facilities was a contributing factor to failing efforts to recruit and retain health care professionals on the island.

House Bill 1996, by creating Health Enterprise Zones, will help to create incentives for health care professionals to work in our most needed areas. By offering low interest loans and providing tax incentives directly to primary care professionals, our communities will have the chance to improve their local health care facilities and a greater chance to build relationships with the health care professionals who work in them.

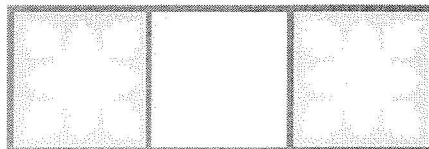
There is much work that needs to be done to address the health care crisis on our island and this bill is an important part of that process. The County of Hawai'i urges the committee to pass HB 1996.

Thank you for this opportunity to testify.

Aloha,

A handwritten signature in cursive script, appearing to read "Harry Kim".

Harry Kim
MAYOR



Hawaii Association of Health Plans

January 23, 2008

The Honorable Josh Green, M.D., Chair
The Honorable John Mizuno, Vice Chair
House Committee on Health

Re: HB 1996 – Relating to Health Care

Dear Chair Green, Vice Chair Mizuno and Members of the Committee:

My name is Rick Jackson and I am President of the Hawaii Association of Health Plans (“HAHP”). HAHP is a non-profit organization consisting of seven (7) member organizations:

AlohaCare
Hawaii Management Alliance Association
HMSA
Hawaii-Western Management Group, Inc.

MDX Hawai‘i
University Health Alliance
UnitedHealthcare

Our mission is to promote initiatives aimed at improving the overall health of Hawaii. We are also active participants in the legislative process. Before providing any testimony at a Legislative hearing, all HAHP member organizations must be in unanimous agreement of the statement or position.

Thank you for the opportunity to testify in support of HB 1996, which would establish Health Enterprise Zones to provide incentives for physicians to serve in rural areas. As you are aware, Hawaii, as in the rest of the U.S. is experiencing difficulty in recruiting physicians in certain specialties to practice in the more rural areas of our State.

HAHP supports the innovative proposal contained in HB 1996 to encourage physicians to practice in certain areas through loan forgiveness and tax breaks. Efforts such as this are a welcome addition to the other initiatives being conducted in the community to address this issue.

Thank you for the opportunity to testify.

Sincerely,

Rick Jackson
President

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

January 23, 2007

The Honorable Josh Green, M.D., Chair
The Honorable John Mizuno, Vice Chair
House Committee on Health

Re: HB 1996 – Relating to Health Care

Dear Chair Green, Vice Chair Mizuno and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify in support of HB 1996 which would establish Health Enterprise Zones to provide incentives for health care providers to serve in designated areas of the state. HMSA supports this worthy effort to find solutions to increase the number of physicians in rural areas.

HMSA recognizes that when physicians leave a rural community, it impacts consumers and health care providers in that area. However, the problem of rural physician shortages is not unique to the Neighbor Islands or the state of Hawaii; it is a challenge throughout the nation. There are many reasons why physicians may leave practices in rural areas. While financial reasons such as the high cost of living and doing business and inadequate payments from Medicare and Medicaid have been highlighted in many articles, physicians may also leave for other professional or personal reasons, such as:

- Stress of working longer hours.
- Professional isolation.
- Limited career opportunities for spouses.
- Limited educational opportunities for children.
- Small population of health care consumers.

HMSA is working to ensure that our members have access to the services they need wherever they may reside in the State. Recently the HMSA Foundation awarded a grant to the University of Hawaii to develop a family medicine rural training program in Hilo. This will enhance physician recruitment for Neighbor Island practices by exposing students to Neighbor Island life, culture and communities. HMSA supports programs such as the Health Enterprise Zone initiative as a welcome compliment to the efforts currently taking place in the community.

Thank you for the opportunity to testify in support of HB 1996.

Sincerely,

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

Jennifer Diesman
Director, Government Relations



Hawai'i Primary Care Association
345 Queen Street, Suite 601 Honolulu, HI 96813
Tel (808) 536-8442 Fax (808) 524-0347

To: **House Committee on Health**
The Hon. Josh Green, MD, Chair
The Hon. John Mizuno, Vice Chair

Testimony in Support of House Bill 1996
Relating to Health Care
Submitted by Beth Giesting, CEO
8:00 a.m. January 23, 2008
Room 329

The Hawai'i Primary Care Association endorses this bill which includes important incentives for clinicians to serve underserved areas. This bill will be very helpful for Community Health Centers which focus their services on underserved and rural areas. They currently experience considerable delays in recruiting physicians, advanced practice RNs, and dentists. Additionally, they have a hard time finding specialists who are open to referrals of their uninsured and Medicaid-covered patients. We expect the provisions of this bill would be very helpful.

We would like to suggest that the definition of "Qualified receipts" be broadened to include Medicare revenues, and that "Qualified practice" mean a practice at which fifty percent or more of the total amount received from third party payers for services at that practice be qualified receipts. Our reasons for these recommendations are:

- 1) Increasingly, Medicare-covered patients are at a disadvantage in getting medical care because of diminishing federal reimbursement levels. A high proportion of residents of underserved rural areas are covered by Medicare.
- 2) Any revenues counted in the formula should be for payments from either public or private insurance and disregard any collections related to uninsured patients.

Thank you for the opportunity to support this important concept and bill.



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Executive Director

January 23, 2008

To: Rep. Josh Green, M.D., Chair
Rep. John Mizuno, Vice Chair
House Committee on Health

From: Cynthia Goto, M.D., President
Linda Rasmussen, M.D., Legislative Co-Chair
Philip Hellreich, M.D., Legislative Co-Chair
Paula Arcena, Executive Director
Dick Botti, Government Liaison

RE: HB1996 Relating to Health Care (establishes health enterprise zones in the state to provide incentives for health care providers to serve in health professional shortage areas of the state)

HB2287 Relating to Health Care Professionals (resident tuition repayment for five nonresident students of JABSOM)

The Hawaii Medical Association (HMA) supports HB1996 and HB2287.

The HMA appreciates the effort to provide incentives for physicians to service underserved areas.

Hawaii is currently experiencing a patient access to medical care crisis due to an inadequate supply of physicians statewide.

Economic incentives that reduce the financial burden of a medical practice can serve as meaningful incentive to practice in rural areas.

Financial burdens include:

- Overhead that can be as high as 75% of gross income;
- Overhead includes, high medical malpractice insurance premiums (premiums vary by medical specialty);
- Overhead includes increasing manpower, office rent and other business expenses;
- Income is based on inadequate payment for services from private and public health plans; and
- For new physicians, typical student loan debt of \$150,000.

We would like to request the following amendments to HB1996.

Currently, the bill is limited to primary care providers. We request the bill be amended to benefit all physicians, regardless of specialty. Specialists such as Obstetrician/Gynecologists, Orthopedic Surgeons, Neurosurgeons,

Please deliver to:
House Health Comm.
1-23-08, Wed.
8am
Conf. Rm.329

Hawaii Medical Association
1360 S. Beretania St.
Suite 200
Honolulu, HI 96814
(808) 536-7702
(808) 528-2376 fax
www.hmaonline.net

Anesthesiologists, and others are necessary to meet the medical needs of Hawaii's residents.

In our discussions with primary care physicians, they are frequently frustrated with the shortage of specialists. Without specialists they have no one to refer patients for needed specialty care.

In addition, we would like the committee to note that it will take many different kinds of incentives to make Hawaii competitive with other jurisdiction. The physician shortage is national and is expected to last for the next several decades. Medical liability reform, which establishes reasonable limits on non-economic damages (ie. pain and suffering, loss of consortium, loss of enjoyment of life) and puts no limits on economic damages (ie. past and future medical expenses, cost of living expenses, lost wages, etc.) has served as a powerful physician recruiting and retention measure for other states. Texas, in particular, has compelling data showing vast improvements in patient access to care since passing medical liability reform in 2003. Given Hawaii's remote location, high cost of living and other disadvantages, medical liability reform would help Hawaii to compete with other jurisdictions.

We encourage the committee to consider medical liability reform, in addition to HB1996 and HB2287, as a meaningful way to recruit and retain the physician workforce and meet Hawaii's need for physicians.

Thank you for the opportunity to testify on this matter.

**TESTIMONY OF ROBERT TOYOFUKU ON BEHALF OF THE CONSUMER
LAWYERS OF HAWAII (CLH) IN SUPPORT OF H.B. NO. 1996**

January 23, 2008

To: Chairman Josh Green and Members of the House Committee on Health:

My name is Bob Toyofuku and I am presenting this testimony on behalf of the Consumer Lawyers of Hawaii (CLH) in support of H.B. No. 1996.

CLH agrees with and supports the purpose of the bill which attempts to provide incentives for health care providers to provider health care services in underserved areas in our state. CLH has always advocated for alternatives to provide health care in the underserved areas especially on the neighbor islands.

As to the actual funding in this bill CLH does not have enough information to comment on the amount of funding that would be deemed adequate for this undertaking and leaves that decision to this committee and the committee on Finance.

Thank you for the opportunity to testify.



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Touching Lives Every Day"

House Committee on Health
Representative Josh Green M.D., Chair
Representative John Mizuno, Vice Chair

January 23, 2008

8:00 a.m.

Conference Room 329

State Capitol

Testimony Supporting HB 1996 Relating to Health Care

Establishes Health Enterprise Zones in the state to provide incentives for health care providers to serve in health professional shortage areas of the state.

By Thomas M. Driskill, Jr.
President and Chief Executive Officer

Good morning Chair Green, Vice Chair Mizuno and members of the Committee on Health. Thank you for the opportunity to testify in support of HB 1996, creating programs to offer incentives to primary health care providers to practice in underserved areas of the state and improve access to health care for Hawaii's citizens.

Attracting and maintaining health care providers, particularly in rural and underserved areas is a problematic situation that HHSC fully recognizes in operating the state authorized network of safety-net health care. HHSC strongly supports the efforts and consideration of programs and incentives directed to alleviating the serious concerns of shortage and distribution of health care provider resources in the state and its impact on access to quality health care to all.

This measure, which offers creative incentives also provides for program rulemaking, administration and management by the department of health, to whom we defer technical considerations. Thank you.

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www.hhsc.org <<http://www.hhsc.org>>

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SUBJECT: INCOME, MISCELLANEOUS, Health enterprise zone exclusions

BILL NUMBER: HB 1996

INTRODUCED BY: Green, Brower, Mizuno, Ward

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to exclude from gross income, adjusted gross income, and taxable income, the qualified receipts derived from a qualified primary health care provider qualified practice for the taxable year. Defines “health enterprise zone” as an area designated by the director of health as an area underserved by primary health care providers. Defines “qualified practice” as a practice that derives more than 50% from qualified receipts and more than 50% of the patients whose services are compensated by qualified receipts reside in a health enterprise zone. Defines “qualified primary health care provider” as a primary health care provider with a qualified practice located in a health enterprise zone or within five miles of a health enterprise zone. Also defines “health care providers” and “qualified receipts” for purposes of the measure.

Adds a new chapter to establish health enterprise zones, including a health enterprise zone loan program and health enterprise zone loan program revolving fund.

Appropriates \$1 million in general funds for fiscal 2009 to be deposited into the health enterprise zone loan program revolving fund. Appropriates \$1 million out of the health enterprise zone loan revolving fund for fiscal year 2009 to provide low-interest loans to construct and renovate medical and dental offices and clinics and purchase medical equipment used by primary health care providers serving residents of health enterprise zones in the state and administer the health enterprise zone loan program.

EFFECTIVE DATE: July 1, 2008

STAFF COMMENTS: This measure proposes to establish health enterprise zones to encourage health care providers to provide health care services for underserved areas of the state.

In an enterprise zone, businesses are attracted and encouraged to relocate to the zone through tax incentives, bonds, and other appropriate measures. Businesses located in an enterprise zone may claim a credit against income taxes paid for a period of seven years and also allows the sale of items sold by such businesses to be exempt from the general excise tax. Except for the general excise tax, the credit shall be 80% of the income tax due for the first tax year, 70% of the tax due for the second tax year, 60% of the tax due for the third year, 50% of the tax due the fourth year, 40% of the tax due the fifth year, 30% of the tax due the sixth year, and 20% of the tax due the seventh year.

Under the proposed measure, the income tax exclusion for health care providers providing services in a health

enterprise zone would be 100% with no sunset date, making the exclusion more generous than other business located in an enterprise zone.

HB 1996 - Continued

It should be remembered that singling out specific areas of the state merely confers preferences for those businesses located within those geographic areas at the expense of all other taxpayers who are not so favored. It should be remembered that those taxpayers who live and work in the zone will demand the same public services as those who are not as fortunate to be located in the zone. Who then will pay for these services?

More importantly, while this measure attempts to confer favorable tax treatment under the Hawaii laws, one must ask what happens to them under the federal income tax laws? With no state tax liability, more of the health care provider's income is exposed to the federal income tax where the rates are much higher. It is understandable that such enterprise zones are seen as way to attract health care providers to underserved communities, but the tax burden is by no means the only negative consideration. Facilities, support staff, distance, medical malpractice insurance, workers' compensation, and communications are all key considerations. Proposals such as forgiving educational expenses for having served such communities make lot more sense and would be much more practical given that less of the health care provider's income would have to go toward paying back the loans incurred for that education.

Finally, while it may attract health care providers to underserved communities, one has to ask whether or not the economic lot of the people in those communities could be improved if the overall climate had been improved. Concurrent efforts must be made to improve Hawaii's business climate to enhance the economic prospects for all businesses. Enterprise zones are merely an abdication of government's responsibility to create a nurturing and supportive business climate so that all businesses can thrive in Hawaii and provide the jobs that people of Hawaii need.

Finally, while Hawaii has had the enterprise zone concept on the books for years, no evaluation of how effective these zones have been in improving the well-being of those communities on which this status has been conferred. Before further corrupting the economic marketplace with added versions of the enterprise zone concept, an evaluation of the current zones should be undertaken. Instead of expanding the enterprise zone program, the program should be repealed in favor of across-the-board tax relief for all businesses in Hawaii. Indeed, has there been a comprehensive evaluation of the program and do lawmakers know exactly how much enterprise zone businesses have benefitted and whether or not they have created the jobs promised when the program was first established? If the legislature is adamant about the designation of enterprise zones in the state, then the whole state should be designated an enterprise zone and the tax treatment will be equitable to all businesses.

Digested 1/22/08