

LINDA LINGLE
GOVERNOR
JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION
SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
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HOUSE COMMITTEE ON FINANCE

TESTIMONY REGARDING HB 2519 HD 2 RELATING TO HEALTHCARE

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: FEBRUARY 20, 2008
TIME: 3:30PM
ROOM: 308

This measure seeks to allow qualifying businesses that provide medical and healthcare services to qualify for the tax benefits provided by the Enterprise Zone program administered by the Department of Business, Economic Development & Tourism.

The House Committee on Health made changes unrelated to the tax provision in this legislation.

The House Committee on Higher Education amended the bill by defecting the effective date and eliminating the appropriation amounts.

The Department of Taxation (Department) takes **no position** on this measure, provides technical comments, and cites the revenue impact of this legislation. **The Department defers to the Department of Business, Economic Development & Tourism on the necessity of including these businesses within the current zones as a matter of policy.**

ENTERPRISE ZONES, GENERALLY

Currently, the administration of Enterprise Zones to encourage economic development in distressed areas of the State has proven an effective partnership between the State and private enterprise. Given the current healthcare crises in underserved areas, this legislation's adopting of the Enterprise Zone model could prove useful in designating target areas to attract healthcare businesses where needed most.

REVENUE IMPACT

Annual revenue loss is estimated at \$2.8 million in FY 2009 (1/2 year impact from GET exemption), and \$7.0 million in FY 2010 and thereafter. The general fund expenditures will increase by \$300,000 in FY 2009.



STATE OF HAWAII
STATE COUNCIL
ON DEVELOPMENTAL DISABILITIES
919 ALA MOANA BOULEVARD, ROOM 113
HONOLULU, HAWAII 96814
TELEPHONE: (808) 586-8100 FAX: (808) 586-7543

February 20, 2008

The Honorable Marcus R. Oshiro, Chair
House Committee on Finance
Twenty-Fourth Legislature
State Capitol
State of Hawaii
Honolulu, Hawaii 96813

Dear Representative Oshiro and Members of the Committee:

SUBJECT: HB 2519 HD2 – RELATING TO HEALTH CARE

The position and views expressed in this testimony do not represent nor reflect the position and views of the Department of Health.

The State Council on Developmental Disabilities (DD) **SUPPORTS HB 2519 HD2**. The purpose of HB 2519 HD2 is to establish 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.

HB 2519 HD2 provides a multi-faceted approach to provide loans and stipends, and tax credits and exemptions to increase access to health care professionals. These provisions would assist in recruiting physicians and dentists to provide medical and dental care services for individuals with DD, especially in underserved and rural areas. Access to medical and dental care is often challenging for individuals with DD and their families. We hear from numerous individuals and families that they cannot find a dentist willing to accept Medicaid participants because of the paper work and low reimbursement rate.

With regard to the tax credits and general excise tax exemption, we defer to the Department of Taxation for the financial costs for the credits and exemptions. The Council applauds the Legislature's initiative and foresight to address the shortage of physicians and dentists through the establishment of the Hawaii Health Corps Program.

Sincerely,

Waynette K.Y. Cabral
Executive Administrator

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2519, H.D. 2

February 20, 2008

RELATING TO HEALTH CARE

House Bill No. 2519, H.D. 2, among other things, establishes a Hawaii Health Corp Fund to be administered by the Department of Health for the collection of moneys appropriated by the Legislature for the program, gifts, donations and grants from public agencies and private persons, loan payments, proceeds of the operations of the program and interest earned or accrued on moneys deposited in the fund. The proposed fund would be used to provide loan repayment to qualifying students who agree to work as a physician in health professional shortage areas of the State for a certain period, and as first responders during civil defense and other emergencies, and stipends for physicians and dentists who agree to provide services in shortage areas and as first responders.

As a matter of general policy, this department does not support the creation of any special or revolving fund which does not meet the requirements of Section 37-52.3 of the Hawaii Revised Statutes. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. It is difficult to determine whether the fund meets any of these criteria.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

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Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON FINANCE

Wednesday, February 20, 2008
3:30 P.M.
State Capitol, Conference Room 308

in consideration of
HB 2519 HD2
RELATING TO HEALTH CARE

Chair Oshiro, Vice-Chair Lee, and Committee members:

The Department of Business, Economic Development and Tourism (DBEDT) would like to provide comments on SB 2519 HD2, which establishes and appropriates funds for the Hawaii Health Corps Program. This program will provide student loan repayment and physician and dentist stipends, and make business tax credit and general excise tax exemption available to physicians and dentists who practice in Enterprise Zones (EZ). There have been many good ideas introduced this legislative session that support the State's economic development goals. We note, however, that appropriations for this bill were not included in the Executive's Supplemental Budget, and request that these appropriations not displace the priorities contained in that budget.

DBEDT recognizes that in certain rural areas of Hawaii, residents are increasingly unable to obtain timely and appropriate health care. We defer to the Department of

Health to comment on the merits and effectiveness of the Hawaii Health Corps program to address this complex problem.

DBEDT recommends, however, that language be added to require the Department of Health submit to DBEDT's Enterprise Zone Partnership Program coordinator, maps, TMK's, addresses, or identifying documents which clearly delineate the boundaries of Hawaii's health professional shortage areas so this amendment may be administered effectively.

Part III of the bill seeks to include physicians and dentists as qualified businesses in the Enterprise Zone Program. The primary EZ benefits include 1) income tax credits, 2) GET exemption on eligible revenues, and 3) GET exemption on construction.

Although these benefits seem significant, a doctor may only receive the income tax credits if they are making profits. If they are not, or do not owe any income taxes, they may not get any EZ benefit. A second benefit is GET exemption on eligible revenues. This would apply to the customer's bills, as customers would not be charged the GET. The doctor does not receive any direct savings. Regarding the GET exemption on construction - this incentive is designed to encourage establishment and expansion. If there is no or minimal construction costs involved, the benefits from the GET will be minimal to none. Thus, the EZ program's impact in attracting physicians to shortage areas may be minimal.

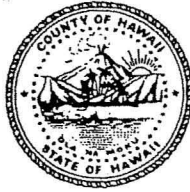
While we support the intent of the measure, which is to attract health care facilities to shortage areas, not requiring these facilities to increase their staff during their participation in the EZ Program conflicts with the job creation purpose as stated in HRS

§209E-1. The EZ Program was established and is directed, in addition to attracting private sector investment, to encourage *growth and expansion*. This directive and subsequent requirements as specified in HRS §209E-9 (a) (1) (3) and (b)(1)(3) ensures that tax payer monies are being spent towards economic growth.

Furthermore, there may be revenue losses resulting from existing medical practices operating in the zones becoming eligible for tax exemptions. We defer to the Department of Taxation to ascertain the revenue impact of this proposal.

Thank you for the opportunity to offer these comments.

Harry Kim
Mayor



Dixie Kaetsu
Managing Director

Barbara J. Kossow
Deputy Managing Director

County of Hawaii

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February 19, 2008

The Honorable Marcus Oshiro
Chair, Committee on Finance
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

Dear Chair Oshiro and Committee Members:

Re: HB 2519 HD 2 Relating to Health Care

I would like to express my strong support for the programs proposed in HB 2519 HD2, and state my appreciation to the House Majority Caucus, for endorsing these innovative ideas.

I believe that the State of Hawaii faces a health care crisis. In most of the state, there is a shortage of health care providers, facilities, long-term care beds, etc. Providers are retiring and it is difficult to find young people to replace them. The reasons are numerous, and perhaps the most ironic one is that it is difficult to recruit providers to Hawaii because they are afraid they will not be able to find health care if they need it for themselves and their families.

HB 2519 HD2 would set up a loan forgiveness or repayment program, a Hawaii Health Corps, financial incentives for providers, and enterprise zone benefits for physicians' and dentists' offices. All of these innovative ideas, and perhaps others that will be suggested, are worthy of consideration, as we strive to make Hawaii a more attractive location for providers. This is an issue that requires the immediate attention of all our community leaders, and I again thank the legislature for taking this initiative.

I leave the specific details to those who have a fuller understanding of the healthcare industry, and I urge that HB 2519 HD2 move forward in the hope that positive action can be taken this legislative session.

Aloha,

Harry Kim
MAYOR



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Finance
February 20, 2008 at 3:30 pm

by
Sam Callejo
Vice President for Administration, University of Hawai'i

HB 2521, HD 1 - Relating to Education

Chair Oshiro, Vice Chair Lee and members of the Committee:

The University of Hawai'i supports HB 2521, HD1, that would create a University of Hawai'i repair and maintenance special account.

This dedicated account for the repair and maintenance of our ten campus system would go a long way in addressing our \$257 million backlog of deferred maintenance. Knowing we will have a definite stream of revenues for repair and maintenance will allow us to be proactive in our planning and more efficient in implementing our repair and maintenance programs. And by providing the University the discretion to identify the projects will allow the chancellors to have the flexibility for their respective campuses.

From a timing perspective, if the intent is to start using the funds in FY 2009, we would ask that this bill be amended on page 4, lines 15 and 16, by replacing "semi-annual" with "quarterly."

Thank you for this opportunity to testify and for your support of the University of Hawai'i.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Written Testimony Presented Before the
House Committee on Finance
February 20, 2008 at 3:30 pm

by
Virginia S. Hinshaw, Chancellor
and
Dr. Gary K. Ostrander
Vice Chancellor for Research and Graduate Education &
Interim Dean for the John A. Burns School of Medicine
University of Hawai'i at Mānoa

HB 2519, HD2 Relating to Health Care

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

Thank you for the opportunity to testify today. Unfortunately, the University of Hawai'i at Mānoa can only support the intent of the bill at this time because of our pressing priorities, such as our tremendous need for repairs and maintenance and health and safety issues, which are critical to our ability to perform our core mission for the State of Hawai'i. We are grateful to the Legislature's attention to these needs. We recognize that you have many priorities and issues to weigh for the state, so the following substantive information on this program is provided to assist you in your decision-making process.

It is appropriate to consider medical school student loan repayments and physician and dentist stipends for doctors that commit to serving in the rural/underserved areas of the State of Hawai'i and agree to serve as first responders for the citizens of our state.

Provisions should be included if a participant chooses to leave prior to their commitment. It is not clear how such contingencies will be addressed and they could prove to be administratively problematic.

Thank you for the opportunity to testify, we appreciate all interest in the University, and want to emphasize that we will be able to perform better in all arenas and best serve the state with support of the current campus priorities approved by the Board of Regents.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Hawaii health corps

BILL NUMBER: HB 2519, HD-2

INTRODUCED BY: House Committee on Higher Education

BRIEF SUMMARY: Amends HRS section 209E-9 to provide that any business engaged in providing medical and health care services may be considered a "qualified business" for enterprise zone purposes if the business is located within a health professional shortage area of the state designated by the Health Resources and Services Administration of the U.S. Department of Health and Human Services, including any county with a population of less than 500,000, rural areas of the state, areas served by community health centers, and any other area identified by the department of health. This section shall be applicable to tax years beginning after December 31, 2008.

Amends HRS section 209E-2 to amend the definition of "medical and health care services" and "service business" for purposes of the measure.

Also adds a new chapter to establish the Hawaii health corps to provide loan repayment and stipends for physicians and dentists to work in health professional shortage areas of the state and who are first responders during civil defense and other emergencies.

Appropriates \$_____ in general funds for fiscal 2009 for the creation of the Hawaii health corps program. Also appropriates \$_____ in general funds for fiscal 2009 for the administration of health care enterprise zones.

EFFECTIVE DATE: July 1, 2020

STAFF COMMENTS: This measure proposes to include certain medical and health care providers as a qualified business for enterprise zones purposes to encourage such providers to provide health care services for areas designated as health professional shortage 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. 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.

While this measure would grant enterprise zone incentives to a select group of health care providers, 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

avored. 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 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.

Finally, while it may attract health care providers to health provider shortage areas of the state, one has to ask whether or not the economic lot of the people in those areas could be improved if the overall business 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 the people of Hawaii need. One of the major issues for health care providers, in particular physicians, is the high cost of medical malpractice insurance. Some of the measures considered this year propose to grant tax credits to offset the cost of the premiums. Again, it is not just the cost of the insurance but the reason why it costs so much to insure physicians that has long been identified as the need for tort reform. Like that issue and the response to the high cost of medical malpractice insurance, lawmakers think that providing tax breaks and tax incentives will solve those problems. Unfortunately that is not the case as it will take more than tax incentives to entice health professional to move to and serve underserved areas of the state.

Finally, while Hawaii has had the enterprise zone concept on the books for years, no evaluation has been made 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 2/19/08



STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

House Committee on Finance

HB2519 HD2, Relating to Health Care

**Testimony of Chiyome Leinaala Fukino, M.D.
Director of Health**

**February 20, 2008
3:30 pm**

1 **Department's Position:** The Department of Health offers comments and encourages continued
2 conversation on Part II of this bill, and defers to the Department of Business Economic Development &
3 Tourism on Part III of the bill.

4 **Fiscal Implications:** The bill contains unspecified appropriations for the creation and implementation
5 of the proposed Hawaii Health Service Corps Program. Details of this program need to be worked out
6 to obtain a full estimate of its cost.

7 **Purpose and Justification:** The purpose of Part II of HB2519 HD2 is to establish the Hawaii Health
8 Service Corps Program by providing loan repayment and stipends for physicians and dentists who agree
9 to work in Health Professional Shortage Areas (HPSAs) and as first responders during civil defense
10 emergencies.

11 The department is acutely aware of the shortages of health professionals statewide and therefore,
12 is receptive to exploring this bill further with the University of Hawaii, John A. Burns School of
13 Medicine (JABSOM). Creating and operating a loan program can be costly. The North Carolina State
14 Loan Repayment Program (SLRP) employs a staff of up to 6 FTEs. Physicians and dentists
15 participating in the North Carolina SLRP each receive \$70,000 in loan repayment and a \$35,000 bonus

1 if they work in high need areas. The amount for this SLRP is legislated each year and the allocations for
2 this North Carolina program are substantial. Hawaii will need to consider the amount of loan
3 repayments in order to be competitive with other states to attract and retain physicians and dentists.

4 It takes time to implement a loan program. The department's 80% federal and 20% state funded
5 environmental loan programs took 2-3 years to start, in part, because of the time involved to ensure
6 program compliance with federal and state laws and regulations. (The department's environmental loan
7 programs have a staff of 10 FTEs.) The proposed Hawaii Health Service Corps Program may need to be
8 considered a special program because of civil service requirements.

9 The risk of lending should be researched. The department's environmental loans are given to
10 county and state entities and thus such risk is reduced. Although HB2519 specifies that the department
11 administer the Hawaii Health Loan Repayment Program "in partnership with a financial institution
whose operations are principally conducted in Hawaii" the percentage of pay back of such loans should
13 be estimated.

14 Thank you for the opportunity to testify.



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

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Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON FINANCE

Wednesday, February 20, 2008
3:30 P.M.
State Capitol, Conference Room 308

in consideration of
HB 2519 HD2
RELATING TO HEALTH CARE

Chair Oshiro, Vice-Chair Lee, and Committee members:

The Department of Business, Economic Development and Tourism (DBEDT) would like to provide comments on SB 2519 HD2, which establishes and appropriates funds for the Hawaii Health Corps Program. This program will provide student loan repayment and physician and dentist stipends, and make business tax credit and general excise tax exemption available to physicians and dentists who practice in Enterprise Zones (EZ). There have been many good ideas introduced this legislative session that support the State's economic development goals. We note, however, that appropriations for this bill were not included in the Executive's Supplemental Budget, and request that these appropriations not displace the priorities contained in that budget.

DBEDT recognizes that in certain rural areas of Hawaii, residents are increasingly unable to obtain timely and appropriate health care. We defer to the Department of

Health to comment on the merits and effectiveness of the Hawaii Health Corps program to address this complex problem.

DBEDT recommends, however, that language be added to require the Department of Health submit to DBEDT's Enterprise Zone Partnership Program coordinator, maps, TMK's, addresses, or identifying documents which clearly delineate the boundaries of Hawaii's health professional shortage areas so this amendment may be administered effectively.

Part III of the bill seeks to include physicians and dentists as qualified businesses in the Enterprise Zone Program. The primary EZ benefits include 1) income tax credits, 2) GET exemption on eligible revenues, and 3) GET exemption on construction.

Although these benefits seem significant, a doctor may only receive the income tax credits if they are making profits. If they are not, or do not owe any income taxes, they may not get any EZ benefit. A second benefit is GET exemption on eligible revenues. This would apply to the customer's bills, as customers would not be charged the GET. The doctor does not receive any direct savings. Regarding the GET exemption on construction - this incentive is designed to encourage establishment and expansion. If there is no or minimal construction costs involved, the benefits from the GET will be minimal to none. Thus, the EZ program's impact in attracting physicians to shortage areas may be minimal.

While we support the intent of the measure, which is to attract health care facilities to shortage areas, not requiring these facilities to increase their staff during their participation in the EZ Program conflicts with the job creation purpose as stated in HRS

§209E-1. The EZ Program was established and is directed, in addition to attracting private sector investment, to encourage *growth and expansion*. This directive and subsequent requirements as specified in HRS §209E-9 (a) (1) (3) and (b)(1)(3) ensures that tax payer monies are being spent towards economic growth.

Furthermore, there may be revenue losses resulting from existing medical practices operating in the zones becoming eligible for tax exemptions. We defer to the Department of Taxation to ascertain the revenue impact of this proposal.

Thank you for the opportunity to offer these comments.

**PRESENTATION OF THE
BOARD OF MEDICAL EXAMINERS**

TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-FOURTH LEGISLATURE
Regular Session of 2008

Wednesday, February 20, 2008
3:30 p.m.

WRITTEN TESTIMONY ONLY

TESTIMONY ON HOUSE BILL NO. 2519, H.D. 2, RELATING TO HEALTH CARE.

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR,
AND MEMBERS OF THE COMMITTEE:

The Board of Medical Examiners ("Board") thanks you for the opportunity to provide written testimony on H.B. No. 2519, H.D. 2, Relating to Health Care. The Board takes no position on the merits of this bill but would like to recommend revisions.

The Board regulates osteopathic physicians (through chapter 460) and physicians (through chapter 453) and believes both have equal rights and responsibilities and the ability to practice the full range and scope of medicine. In light of this, where physician or chapter 453 is mentioned in the bill, so, too, should osteopathic physicians or chapter 460 be mentioned. Amendments to accomplish this would include:

- Page 3, line 10, to read as follows: "licensure under chapter **460**, 453, or 448."
- Page 4, to include a definition of osteopathic physician and to read as follows:
"Osteopathic physician" means a person licensed under chapter 460.
- Page 4, line 5, to read as follows: "Service obligation" means the **osteopathic physician's**, physician's, or dentist's..."

- Page 4, line 9, to read as follows: “loan repayment or **an osteopathic physician**, physician, or dentist stipend from the...”
- Page 4, lines 12 – 13, to read as follows: “Hawaii health corps program is established to encourage **osteopathic physicians**, physicians, and dentists to serve in health professional shortage...”
- Page 5, line 2, to read as follows: “**osteopathic physicians**, physicians, and dentists to participate in the stipend...”
- Page 6, line 1, to read as follows: “to not more than twenty **osteopathic physicians**, physicians, or dentists per year who...”
- Page 6, line 3, to read as follows: “(1) Serve as **an osteopathic physician or physician** in a health professional shortage...”
- Page 6, line 8, to read as follows: “**osteopathic physicians**, physicians, or dentists who graduated from an...”
- Page 6, line 13, to read as follows: “under paragraph (1), serve as **an osteopathic physician or physician** first...”
- Page 6, line 22, to read as follows: “repayments shall be given to **osteopathic physicians**, physicians, and dentists who reside...”
- Page 8, line 11, to read as follows: “more than one hundred **osteopathic physicians**, physicians, or dentists per year who agree...”
- Page 9, line 6, to read as follows: “proclaimed under section 127-10 or 128-7, **osteopathic physicians**, physicians, and...”

- Page 11, line 2, to read as follows: “business incentives available to **osteopathic physicians**, physicians, and dentists who...”
- Page 11, line 9, to read as follows: “treatment, or other acts permissible under chapters 448, 453, and 460,...”

The Board thanks you for the opportunity to provide written comments on this bill.



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 Finance**
The Hon. Marcus R. Oshiro, Chair
The Hon. Marilyn B. Lee, Vice Chair

Testimony in Support of House Bill 2519, HD 2 Relating to Health Care

Submitted by Beth Giesting, CEO

February 20, 2008, 3:30 p.m. agenda, Room 308

The Hawai'i Primary Care Association strongly endorses this measure, which aims to address the needs for medical and dental providers in underserved rural areas of Hawai'i. The loans, stipends, and other incentives proposed in this bill are all necessary parts of an overall campaign to ensure the availability of health care services where and when they are most needed. Of particular note are the following:

- Prospective loans to enable students of the health professions to get an education. In contrast, the most well-known federal program that serves a similar purpose is available only after the student completes his or her education, which could bar some students from completing a lengthy – and costly – training process.
- Preference to make loans to students who would come from the underserved areas to which they would return to provide service. This is one of the best ways to help people who are more likely to have educational disadvantages to consider health careers, and it is an approach that will result in higher rates of retention in these communities.
- The “Hawai'i Health Corps.” Such an entity will ensure that essential healthcare providers will be available in the event of an emergency. It is a virtual certainty that we'll have such needs in Hawai'i and we are probably not as well-prepared for them with ready and willing providers as we need to be.

Thank you for the opportunity to support this bill.



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

"Touching Lives Every Day"

THE HOUSE OF REPRESENTATIVES

COMMITTEE ON FINANCE

Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

February 20, 2008 at 3:30 P.M.
Conference Room 309
Hawaii State Capitol

Testimony Supporting HB 2519 HD2 Relating to Health Care

Establishes the Hawaii Health Corps Program - loan repayment and stipends for physicians and dentists; enterprise zone business tax credit, general excise tax exemption; other business incentives to physicians and dentists who establish or maintain practices in areas designated as enterprise zones

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

Thank you for the opportunity to provide testimony in support of the intent of HB 2519 HD12 establishing the Hawaii Health Corps Program that offers a number of incentives to health professionals to practice in health professional shortage areas in the State of Hawaii.

As a safety-net health care system with five regions located on Hawaii, Kauai, Maui, Lanai and Oahu, the Hawaii Health Systems Corporation (HHSC) is keenly aware of workforce shortages and difficulties in attracting and maintaining health care professionals in rural, underserved, and health professional shortage areas. HHSC recognizes the need for creative initiatives to address the serious healthcare issues we face in Hawaii and strongly supports consideration of programs 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 for all.

This measure offers creative incentives and requires program rulemaking, development and administration of the Department of Health, the Department of Business, Economic Development and Tourism, and UH JABSOM to whom we defer technical considerations. Thank you.

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February 20, 2008

To: Rep. Marcus R. Oshiro, M.D., Chair
Rep. Marilyn B. Lee, Vice Chair
Committee on Finance

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

PLEASE DELIVER

To rm 308 for:
Finance Committee
Wed.
2/20/2008
3:30PM

RE: HB2519 HD2 Relating to Health Care (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)

The Hawaii Medical Association (HMA) supports HB2519, HD2.

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 HB2519, HD2.

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, 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 HB2519, HD2, 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
Phyllis Dendle
Director of Government Affairs

Before:
House Committee on Finance
The Honorable Marcus R. Oshiro, Chair
The Honorable Marilyn B. Lee, Vice Chair

February 20, 2008
3:30 pm
Conference Room 308

HB 2519 HD2 RELATING TO HEALTH CARE (Hawaii Health Corps Program)

Chair, Vice Chair, and committee members, thank you for this opportunity to provide testimony on HB2519, HD2 which 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. The measure 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.

Kaiser Permanente Hawaii supports this bill.

A physician shortage in rural and other areas of the State of Hawaii, and impediments to access to quality health care in these areas due to physician shortages, especially among physician specialists, is a matter of grave concern to Kaiser Permanente. This affects our ability to provide services to our members in such shortage areas.

Particularly on the islands other than Oahu, where we have fewer clinics and where fewer members of the Hawaii Permanente Medical Group (HPMG) reside, Kaiser Permanente relies upon its contracts with non-HPMG physicians and other providers and caregivers to provide services to members residing in these shortage areas. To the extent the State is unable to attract or retain physicians, particularly specialists, and other caregivers in these shortage areas, it creates barriers to access for Kaiser Permanente members, just as it does for other residents of Hawaii. This sometimes results in having to fly physicians from Oahu to the other islands, or fly member patients who are in need of unavailable specialty care on those islands to Oahu. In either case, delivery of care becomes less expeditious, less efficient, and more costly.

For these reasons, Kaiser supports this bill's targeted effort to relieve barriers to access to timely and appropriate health care in underserved physician shortage areas of the State. Thank you for your consideration.

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HOUSE COMMITTEE ON FINANCE
Rep. Marcus Oshiro, Chair

Conference Room 308
February 20, 2008 at 3:30 p.m. (Agenda #3)

Testimony in support of HB 2519 HD 2.

I am Rich Meiers, President and CEO of the Healthcare Association of Hawaii, which represents the entire spectrum of health care, including acute care hospitals, two-thirds of the long term care beds in Hawaii, as well as home care and hospice providers. Thank you for this opportunity to testify in support of HB 2519 HD 2, which establishes the Hawaii Health Corps Program that encourages physicians and dentists to practice in shortage areas by providing loan repayments to medical and dental students and stipends to practicing physicians and dentists. The bill also provides tax benefits to physicians and dentists who practice in enterprise zones that are located in shortage areas.

In recent weeks the media have featured a number of articles highlighting the complex and multi-faceted crisis that is plaguing Hawaii's health care system. Payments for health care from Medicare, Medicaid, and private insurance are too low. Medical malpractice insurance premiums are too high. Some physicians have already left Hawaii to practice on the mainland where financial conditions are more viable. Kahuku Hospital was on the verge of bankruptcy a year ago and about to close its doors before it was acquired by the Hawaii Health Systems Corporation (HHSC). Meanwhile, HHSC is requesting emergency funding during the current session in order to pay its suppliers. This bill addresses one aspect of Hawaii's health care crisis.

Many rural areas of our state are especially impacted because of a dispersed population. Urban areas, with their population density, provide a much greater potential to attract patients. Physicians are especially affected because of the high cost of medical malpractice insurance. Dentists are also in short supply in many rural areas.

This bill creates an innovative program that encourages physicians and dentists to serve in medically underserved areas. It creates a loan forgiveness program for medical and dental students that provides incentives to practice in medically underserved areas after graduation. The program also provides stipends to physicians and dentists who practice in shortage areas. This bill addresses the shortage of physicians and dentists in many rural areas that limits access to care.

For the foregoing reasons, the Healthcare Association supports HB 2519 HD 2.

FINtestimony

From: KHS, Inc. & Kauai Kunana [kunana@juno.com]
Sent: Wednesday, February 20, 2008 9:08 AM
To: FINtestimony
Subject: HB2519 Agenda #3

Dear Legislators,

As the parent of a pre-med student at the University of Hawaii, I think this bill would be a wonderful way to keep Hawaii's best and brightest students here in the state. Because of the high cost of living and lower earnings for skilled medical personnel in our rural areas, we have found ourselves with a shortage of doctors here on the north shore of Kauai.

In Hanalei and Princeville, for example, there is no doctor's office.

Small practices that have started up have ultimately closed down, not because of lack of interest, but rather because of the high costs associated with doing business there.

Helping pay for the high costs of medical school through this loan program will be of great benefit to help our own family meet the costs of our son's higher education. He has expressed an interest in remaining in Hawaii and ultimately returning to Kauai to practice medicine.

I hope you will support this important legislation for a viable future of quality healthcare in the less populated and more remote areas of our state.

Mahalo,

Louisa Wooton