

HB2519

HD2

Measure Title:
RELATING TO HEALTH CARE.

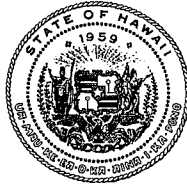
Report Title:
Health Care; Loan Repayments; Stipends; Enterprise Zones (\$)

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)

Package:
House Majority Caucus

Introducer(s):
GREEN, AWANA, BELATTI, BERG, BERTRAM, BROWER, CALDWELL,
CARROLL, CHANG, CHONG, EVANS, HANOHANO, HAR, HERKES, ITO,
KARAMATSU, LEE, LUKE, MAGAOAY, MANAHAN, MCKELVEY, MIZUNO,
MORITA, NAKASONE, NISHIMOTO, B. OSHIRO, RHOADS, SAY,
SHIMABUKURO, SONSON, TAKAI, TSUJI, WAKAI, WATERS, YAMANE,
YAMASHITA, Sagum, Souki, Takamine

Current Referral:
HTH, WAM



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

In reply, please refer to:
File:

SENATE COMMITTEE ON HEALTH

HB2519, HD 2, RELATING TO HEALTH CARE

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

**March 17, 2008
1:00 PM**

1 **Department's Position:** The Department of Health (DOH) offers comments on Part II of this measure
2 and defers to the Department of Business Economic Development and Tourism (DBEDT) and to the
3 Department of Taxation on the remainder of the bill. DOH appreciates the intent of the bill but believes
4 that the concepts proposed warrant further discussion and research about the best way to address
5 statewide health care professional shortages with limited federal and state resources.

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

9 **Purpose and Justification:** Part II of this bill creates a new chapter in Hawaii Revised Statutes
10 establishing the Hawaii Health Corps program designed to encourage physicians and dentists to serve in
11 areas of the state where there is a shortage of these health professionals or in areas where there are
12 relatively high numbers of uninsured patients. The DOH is tasked with administering this program that
13 would provide loan repayment and stipends as incentives to work in health professional shortage areas
14 (HPSAs) and obligate program participants to serve as first responders during civil defense and other
15 emergencies.

1 This measure proposes intriguing ideas that potentially could work in Hawaii. We note that
2 planning, designing, implementing and managing the comprehensive program outlined in this bill would
3 require DOH to establish an entirely new division or office within the department with new staff
4 positions and an as yet unquantified operational budget – a daunting task with so many competing
5 priorities in a time of needed budget restraint.

6 The North Carolina State Loan Repayment Program (SLRP) employs a staff of up to 6 FTEs.
7 Physicians and dentists participating in the North Carolina SLRP each receive \$70,000 in loan
8 repayment and a \$35,000 bonus if they work in high need areas. The amount for this SLRP is legislated
9 each year and the allocations for this North Carolina program are substantial. Hawaii will need to
10 consider the amount of loan repayments in order to be competitive with other states to attract and retain
11 physicians and dentists.

12 It takes time to implement a loan program. The department’s 80% federal and 20% state funded
13 environmental loan programs took 2-3 years to start, in part, because of the time involved to ensure
14 program compliance with federal and state laws and regulations. (The department’s environmental loan
15 programs have a staff of 10 FTEs.)

16 The risk of lending should be researched. The department’s environmental loans are given to
17 county and state entities and thus such risk is reduced. Although HB2519, HD 2 specifies that the
18 department administer the Hawaii Health Loan Repayment Program “in partnership with a financial
19 institution whose operations are principally conducted in Hawaii” the percentage of pay back of such
20 loans should be estimated.

21 We believe the interested parties should continue this conversation about how federal and state
22 resources might be used to improve recruitment and retention of health care professionals in rural and/or
23 underserved areas. The U.S. Department of Health & Human Services (DHHS), Health Resource
24 Services Administration (HRSA) has a State Loan Repayment (grant) program (SLRP) that requires a

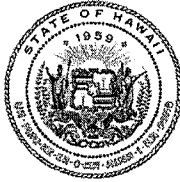
1 1:1 match from the state with the next grant period in 2009. More information on SLRP may be found
2 at <http://bhpr.hrsa.gov/interdisciplinary/stateloan.html>. HRSA's National Health Service Corps (NHSC)
3 has loan repayment http://nhsc.bhpr.hrsa.gov/join_us/lrp.asp and scholarship
4 http://nhsc.bhpr.hrsa.gov/join_us/scholarships.asp programs that are worth exploring as well.

5 Thank you for the opportunity to testify on this interesting measure.

6

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
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

SENATE COMMITTEE ON HEALTH

TESTIMONY REGARDING HB 2519 HD 2 RELATING TO HEALTHCARE

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: MARCH 17, 2008
TIME: 1:00PM
ROOM: 016

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 House Committee on Finance passed the measure unamended.

The House of Representatives passed this measure on third reading.

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.**

NOT FACTORED INTO EXECUTIVE BUDGET

The Department initially points out that this legislation has not been factored into the Executive Budget and has not been prioritized as a means of tax relief this legislative session.

ENTERPRISE ZONES, GENERALLY

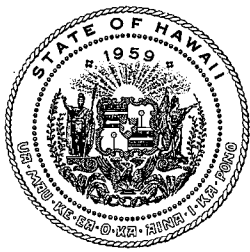
Currently, the administration of Enterprise Zones to encourage economic development in distressed areas of the State has proven an effective partnership between the State and private enterprise. Given the current healthcare crises in underserved areas, this legislation's adopting of the Enterprise Zone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

NO REFERRAL TO TAX SUBJECT MATTER COMMITTEE

The Department also points out that this legislation did not receive a referral to the tax subject matter committee, the committee on Economic Development & Taxation. This measure's subject matters include both business concerns and taxation.

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.



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

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

No. 1 Capitol District Bldg., 250 South Hotel St., 5th Flr., Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
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Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the
**HOUSE COMMITTEE ON HEALTH AND
HOUSE COMMITTEE ON EDUCATION**

Monday, March 17, 2008
1:00 P.M.
State Capitol, Conference Room 016

in consideration of
HB 2519 HD2
RELATING TO HEALTH CARE

Chair Ige, Chair Sakamoto, Vice-Chair Fukunaga, Vice-Chair Tokuda and
Committee members:

The Department of Business, Economic Development and Tourism (DBEDT) supports the intent of SB 2519 HD2, which establishes and appropriates funds for the Hawaii Health Corps Program and would like to provide comments. 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, and we note that no appropriation is associated with this bill.

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.

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.

We would like to request one change, *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. By adding **(a) (1) (3) and (b)(1)(3)** on page 13 line 8 ensures that tax payer monies are being spent towards economic growth and expansion. The change would read as follows, "(1) The business either meets the requirements of subsection (a) (1), (2), and **(3)** or (b) (1), (2), and **(3)**; and..."

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.

WRITTEN ONLY

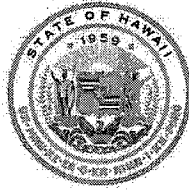
TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON HEALTH
ON
HOUSE BILL NO. 2519, H.D. 2

March 17, 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.



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
March 17, 2008

The Honorable David Y. Ige, Chair
Senate Committee on Health
Twenty-Fourth Legislature
State Capitol
State of Hawaii
Honolulu, Hawaii 96813

Dear Senator Ige 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,

A handwritten signature in black ink, appearing to read "Waynette K. Y. Cabral".

Waynette K. Y. Cabral
Executive Administrator



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

"Touching Lives Every Day"

THE SENATE

COMMITTEE ON HEALTH
Senator David Y. Ige, Chair
Senator Carol Fukunaga, Vice Chair

March 17, 2008, 1:00 PM
Conference Room #016
Hawaii State Capitol

Testimony on 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 offer testimony in support of the intent of HB 2519 HD2 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 to whom we defer technical considerations. Thank you.

3675 KILAUEA AVENUE • HONOLULU, HAWAII 96816 • PHONE: (808) 733-4020 • FAX: (808) 733-4028



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Written Testimony Presented Before the
Senate Committee on Health
March 17, 2008 at 1:00 pm

by
Virginia S. Hinshaw, Chancellor
and
Dr. Gary K. Ostrander
Vice Chancellor for Research and Graduate Education
University of Hawai'i at Mānoa

HB 2519, HD2 Relating to Health Care

Chair Ige, Vice Chair Fukunaga, 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.

Testimony of
Frank P. Richardson
Executive Director of Government Relations

Before:
Senate Committee on Health
The Honorable David Y. Ige, Chair
The Honorable Carol Fukunaga, Vice Chair

March 17, 2008
1:00 pm
Conference Room 016

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 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; and that expands the Enterprise Zone Business Tax Credit, general excise tax exemptions, and other business incentives to include physicians and dentists who establish or maintain practices in areas designated as enterprise zones.

Kaiser Permanente Hawaii supports this bill.

Physician shortages 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 serious concern to Kaiser Permanente in its ability to service its members in such shortage areas.

Particularly in the islands other than Oahu, where Kaiser has fewer clinics and where fewer members of the Hawaii Permanente Medical Group reside, Kaiser relies upon its contracts with non-HPMG physicians and other providers and caregivers to service Kaiser 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 members, just as it does for other residents of Hawaii. This sometimes results in Kaiser having to fly physicians from Oahu to the other islands, or fly its 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 the opportunity to comment.



Hawai'i Primary Care Association

345 Queen Street, Suite 601 Honolulu, HI 96813
Tel (808) 536-8442 Fax (808) 524-0347

To: **Senate Committee on Health**
The Hon. David Y. Ige, Chair
The Hon. Carol Fukunaga, Vice Chair

Testimony in Support of House Bill 2519, HD 2
Relating to Health Care
Submitted by Beth Giesting, CEO
Monday, March 17, 2008, 1:00 p.m. agenda, Room 016

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.

HMSA



Blue Cross
Blue Shield
of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

March 17, 2008

The Honorable David Ige, Chair
The Honorable Carol Fukunaga, Vice Chair

Senate Committee on Health

Re: HB 2519 HD2 – Relating to Health Care

Dear Chair Ige, Vice Chair Fukunaga and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify in support of HB 2519 HD2 which would establish the Hawaii Health Corps program to provide health care to underserved areas of the State. HMSA supports this worthy attempt to assist in recruitment efforts 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.

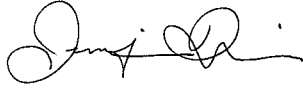
HMSA is working to ensure that our members have access to the services they need wherever they may reside in the State. We are also assisting our Neighbor Island communities in the difficult task of physician recruitment. This assistance has taken the form of providing funding for recruitment expenses and, in some cases, for office and testing equipment.

Additionally, HMSA awarded a grant to the University of Hawaii to develop a family medicine training program in Hilo. This will enhance physician recruitment for Neighbor Island practices by exposing students to Neighbor Island life, culture and communities. Studies have shown that oftentimes individuals remain to practice medicine in the area where they have completed their residency training. It is believed that this program will assist in increasing the number of family practice physicians on the Big Island. HMSA

supports programs such as the Hawaii Health Corps 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 2519 HD2.

Sincerely,

A handwritten signature in black ink, appearing to read "Jennifer Diesman". The signature is fluid and cursive, with a large initial "J" and a distinct "D".

Jennifer Diesman
Assistant Vice President
Government Relations



SENATE COMMITTEE ON HEALTH
Senator David Ige, Chair

Conference Room 016
March 17, 2008 at 1:00 p.m.

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.



OFFICERS

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President

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Immediate Past President

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Secretary

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Treasurer

Paula Arcena
Executive Director

March 17, 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

Please deliver to:
Health Committee
3-17-08
Monday
1pm
Conf. Rm. 016

RE: HB2519, HD2 Relating to Health Care

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

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

Hawaii Medical Association
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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.

The Insurance Division of the Hawaii Department of Commerce and Consumer Affairs has previously submitted to this committee an actuarial report confirming that medical liability insurance premiums would decrease by up to 17% with the adoption of medical liability reform.

We encourage the committee to consider medical liability reform, in addition to HB2519, 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.

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

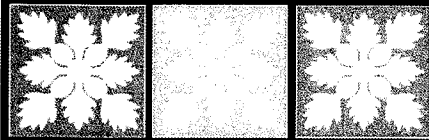
avored. It should be remembered that those taxpayers who live and work in the zone will demand the same public services as those who are not as fortunate to be located in the zone. Who then will pay for these services?

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



Hawaii Association of Health Plans

March 17, 2008

The Honorable David Ige, Chair
The Honorable Carol Fukunaga, Vice Chair

Senate Committee on Health

Re: HB 2519 HD2 – Relating to Health Care

Dear Chair Ige, Vice Chair Fukunaga 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 Medical Assurance 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 2519 HD2, which would establish the Hawaii Health Corps Program to provide student loans and physician and dentist stipends, and make the enterprise zone business tax credit and general excise tax exemption available to physicians and dentists who practice in those enterprise zones. 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 set of proposals contained in HB 2519 HD2 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

• AlohaCare • HMAA • HMSA • HWMG • MDX Hawaii • UHA • UnitedHealthcare •
HAHP c/o Howard Lee, UHA, 700 Bishop Street, Suite 300 Honolulu 96813
www.hahp.org

**TESTIMONY OF ROBERT TOYOFUKU ON BEHALF OF THE CONSUMER
LAWYERS OF HAWAII (CLH) IN SUPPORT OF H.B. NO. 2519, HD 2**

March 17, 2008

To: Chairman David Ige and Members of the Senate 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. 2519, HD 2.

CLH agrees with and supports the purpose of the bill to establish a Hawaii Health Corps Program which is attempting to assist in increasing health care in underserved and rural areas. CLH has always advocated for alternatives to provide health care in the underserved and rural areas especially on the neighbor islands and this concept is worth continued discussion.

Thank you for the opportunity to testify.