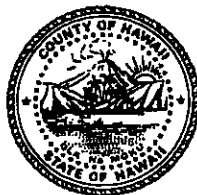


**Harry Kim**  
Mayor



**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  
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March 31, 2008

The Honorable Rosalyn Baker  
Chair, Committee on Ways and Means  
Hawai'i State Capitol  
415 South Beretania Street  
Honolulu, HI 96813

Dear Chair Baker and Committee Members:

Re: HB 2519, HD 2, Proposed SD2 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 Ways and Means for your willingness to keep this bill alive for further discussion.

I believe that the State of Hawai'i 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 Hawai'i 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 Hawai'i 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 Hawai'i 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.

Although the Proposed SD2 does not go as far as I would hope, I leave the specific details of what the final product should be to those who have a fuller understanding of the healthcare industry. I urge that HB 2519 move forward in some form, in the hope that positive action can be taken this legislative session.

Aloha,

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

Harry Kim  
MAYOR

**TESTIMONY OF ROBERT TOYOFUKU ON BEHALF OF THE CONSUMER  
LAWYERS OF HAWAII (CLH) IN SUPPORT OF H.B. NO. 2519, HD 2, SD 1,  
(Proposed SD 2)**

April 1, 2008

To: Chairperson Rosalyn Baker and Members of the Senate Committee on Ways and  
Means:

My name is Bob Toyofuku and I am presenting this testimony on behalf of the  
Consumer Lawyers of Hawaii (CLH) in support of the Proposed SD 2 to H.B. No. 2519,  
HD 2, and SD 1.

CLH agrees with and supports the purpose of the proposed Senate Draft 2 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 the concepts and provisions in the Proposed SD 2 should definitely  
assist in the alleviation of shortages of physicians and access to health care in rural areas  
of our state.

Thank you for the opportunity to testify on this measure.



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

*"Touching Lives Every Day"*

**THE SENATE COMMITTEE ON WAYS AND MEANS**

**Senator Rosalyn H. Baker, Chair**  
**Senator Shan S. Tsutsui, Vice Chair**

April 1, 2008, 10:15 a.m.  
Conference Room #211  
Hawaii State Capitol

**Written Comments on HB 2519 SD2 Relating to Health Care**

Requires legislative reference bureau to study student loan repayment and stipend payment programs in other jurisdictions to encourage physicians and dentists to serve shortage areas. Appropriates funds. Creates temporary pilot project to grant tax and other benefits similar to those in an enterprise zone to physicians and dentists who establish or maintain practices in shortage areas.

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

Thank you for the opportunity to offer comments in support of HB 2519 SD2 that promotes program research and offers incentives to improve access to healthcare in underserved and health care professional shortage areas in Hawaii.

Attracting and maintaining health care providers, particularly in rural and underserved areas is a problem that HHSC fully recognizes in operating the state authorized network of safety-net health care. 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 healthcare provider shortage in the state and its impact on access to quality health care for all.

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

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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  
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## SENATE COMMITTEE ON WAYS & MEANS

### TESTIMONY REGARDING HB 2519 HD 2 PROPOSED SD 2 RELATING TO HEALTH

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)  
DATE: APRIL 1, 2008  
TIME: 10:15AM  
ROOM: 211

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As amended, this measure seeks to provide a pilot tax benefit project for physicians and dentists that serve in qualified medical services shortage areas, patterned after the Enterprise Zone benefits currently administered by the Department of Business, Economic Development & Tourism.

The Department of Taxation (Department) has concerns with this legislation, and offers the following comments:

#### 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 for business other than those in the medical industry 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.

### **SIMPLY EXPAND THE EXISTING MODEL**

The Department offers that the intent of this legislation may be accomplished more efficiently by simply extending the current Enterprise Zone designations to include geographic areas that are suffering from medical shortages. The Department does not believe that providing the tax incentives through the means of an entirely new pilot project is necessary.

### **CODIFY IN HRS**

The Department would otherwise not object to a one-year or two-year pilot project being placed in the uncodified Session Laws. However, this pilot project will last for seven years. Because these proposed tax benefits will last for up to seven years, the Department suggests placing these tax incentives in the Hawaii Revised Statutes as an amendment to the HRS.

### **ADMINISTRATION OF THE CREDIT**

As a pilot project, the Department is also concerned about placing the obligation to administer these incentives with the Department of Health. Though the Department of Health is very important in the administrative equation of this legislation, the Department of Business, Economic Development & Tourism has been administering the Enterprise Zone program for many years and would be an efficient assistant in getting the program up and running.

### **REVENUE IMPACT**

Annual average revenue loss is estimated at \$7.0 million in FY 2010 to FY 2016. The general fund expenditures will increase by an unspecified amount in FY 2009.

Based on the Health Trends in Hawaii, there are 3 physicians and 0.8 dentists per every 1,000 residents. The Department assumed that 5% of physicians and 5% of dentists would qualify for the enterprise zone business tax credit and general excise tax. Based on the amounts of business receipts, net profit, and wages paid reported on the 2002 Business Report, the Department estimated the annual average revenue loss from GET exemption to be \$5.6 million and the annual average revenue loss from business tax credit to be \$1.4 million. Thus, the total annual average revenue loss would be \$7.0 million.



# **UNIVERSITY OF HAWAII SYSTEM**

## **Legislative Testimony**

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**Written Testimony Presented Before the  
Senate Committee on Ways and Means  
April 1, 2008 at 10:15 a.m.**

by  
Virginia S. Hinshaw  
Chancellor, University of Hawai'i at Mānoa  
and  
Jerris R. Hedges, MD, MS, MMM  
Professor & Dean, John A. Burns School of Medicine  
University of Hawai'i at Mānoa

### **HB 2519, HD2, Proposed SD2 - Relating to Health Care**

Chair Baker, Vice Chair Tsutsui, and Members of the Committee:

Given the high student educational debt upon graduation from the John A. Burns School of Medicine (JABSOM) which is now averaging >\$100,000, the Hawaii Health Corps concept is of considerable value to UH JABSOM graduates seeking to find financially stable practice settings in Hawai'i. The UH JABSOM leadership endorses this concept and encourages that the state move forward with plans to study the feasibility of loan repayment and stipend programs for physicians and dentists who agree to work in health professional shortage areas and as first responders during civil defense and other emergencies.