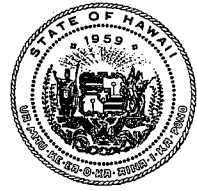


LATE

LINDA LINGLE  
GOVERNOR OF HAWAII



CHIYOME LEINAALA FUKINO, M.D.  
DIRECTOR OF HEALTH

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

In reply, please refer to:  
File:

**SENATE COMMITTEE ON WAYS AND MEANS**

**HB 2519, HD 2, PROPOSED SD 2, RELATING TO HEALTH CARE**

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

**April 1, 2008**

1 **Department's Position:** The Department of Health believes the concept of developing medical  
2 practice shortage zones or health enterprise zones is a topic that is worthy of continued discussion as one  
3 of several possible solutions to providing increased access to health care in medically underserved areas  
4 of our state.

5 **Fiscal Implications:** Unquantified at this time.

6 **Purpose and Justification:** Part I of this proposed measure directs the Legislative Reference Bureau to  
7 research what is being done in other states to address physician and dentist shortages including student  
8 loan repayment and stipend programs, and to submit a report of findings, recommendations, and any  
9 proposed legislation to the 2009 legislature. The Department supports Part I, provided any appropriation  
10 does not replace priorities set forth in the Executive Supplemental Budget.

11 Part II introduces the concept of medical practice shortage zones and asks the Department of  
12 Health (DOH) to design, implement, and administer the shortage zone program and to adopt rules  
13 regarding its operation. The language closely mirrors much of the language in Chapter 209E, Hawaii  
14 Revised Statutes (HRS) that creates state enterprise zones to encourage private sector investment to

1 stimulate business and industrial growth in areas needing revitalization through regulatory flexibility and  
2 tax incentives.

3 Without additional research, it is difficult for the DOH to speak specifically to the true value of  
4 the proposed tax credits to medical practices. While having the opportunity to receive a graduated credit  
5 on a percentage of income tax, unemployment taxes, be exempt from GET on practice proceeds, and be  
6 exempt from the use tax on medical practice purchases certainly appear to be attractive incentives, the  
7 Department is unable to quantify the favorable impact on medical practices or definitively state whether  
8 these incentives would be sufficient for medical practices to agree to a minimum seven year  
9 commitment.

10 The Department likes this concept and is willing to explore a pilot project with assistance from  
11 our sister agencies, the Department of Business, Economic Development and Tourism, and the  
12 Department of Taxation. We do defer to the Department of Taxation on estimating the projected  
13 revenue impact of the proposed tax incentives, and we believe we should construct several cost/benefit  
14 analyses based on different medical practice models before proceeding with the pilot project.

15 Thank you for the opportunity to provide written comments.

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