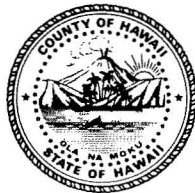


Harry Kim
Mayor



Dixie Kaetsu
Managing Director

Barbara J. Kossow
Deputy Managing Director

County of Hawaii

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

January 30, 2008

The Honorable Josh Green, M.D.
Chair, Committee on Health
Hawai'i State Capitol
415 South Beretania Street
Honolulu, HI 96813

Dear Chair Green and Committee Members:

Re: HB 2519 Relating to Health Care

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

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 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.

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

Aloha,

Harry Kim
MAYOR

000069

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

HOUSE COMMITTEE ON HEALTH

TESTIMONY REGARDING HB 2519 RELATING TO HEALTHCARE

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: FEBRUARY 1, 2008
TIME: 8:00AM
ROOM: 329

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 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 Health 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.

EFFECTIVE DATE

Because this bill applies to tax incentives applicable to both the income tax law and the general excise tax law, the effective date should be amended to apply to a taxable year and to gross receipts received after a certain date. For example, this bill should be amended to read: "This bill shall take effect on July 1, 2008; **provided that section 7 shall apply to taxable years beginning and gross proceeds received after December 31, 2008;**"

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REVENUE IMPACT

This bill will result in a revenue loss of approximately \$___ million per year; however this estimate is speculative.



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 1, 2008

The Honorable Josh Green, M.D., Chair
House Committee on Health
Twenty-Fourth Legislature
State Capitol
State of Hawaii
Honolulu, Hawaii 96813

Dear Representative Green and Members of the Committee:

SUBJECT: HB 2519 – 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**. The purpose of HB 2519 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 provides various incentives as mentioned above to increase access to health care professionals. Finding physicians and dentists to provide medical and dental care services for individuals with DD is a challenge, especially in underserved and rural areas. We hear from 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

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WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEES ON HEALTH AND
HUMAN SERVICES AND HOUSING
ON
HOUSE BILL NO. 2519

February 1, 2008

RELATING TO HEALTH CARE

House Bill No. 2519, 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 forgiveness to students at the University of Hawaii John A. Burns School of Medicine who agree to work at least five years as a physician in health professional shortage areas of the State 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. This bill, however, appropriates \$2 million in general funds in FY 09 to the Department of Business, Economic Development and Tourism for the implementation of the program. Another general fund appropriation of \$100,000 in FY 09 is provided to administer health care enterprise zones to make enterprise zone business tax credits and general excise tax exemptions available to physicians and dentists who practice in those enterprise zones.

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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.

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Testimony of
Frank P. Richardson
Executive Director of Government Relations

Before:
House Committee on Health
The Honorable Josh Green, M.D., Chair
The Honorable John Mizuno, Vice Chair
and
House Committee on Human Services & Housing
The Honorable Maile S. L. Shimabukuro, Chair
The Honorable Karl Rhoads, Vice Chair

February 1, 2008
8:00 am
Conference Room 329

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

Chairs, Vice Chairs, and committee members, thank you for this opportunity to provide testimony on HB2519 which 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; and 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.

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 grave concern to Kaiser Permanente in its ability to service its members in such shortage areas.

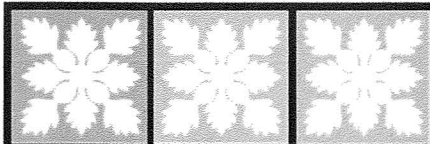
Particularly in the islands other than Oahu, where Kaiser has fewer clinics and where fewer members of the Hawaii Permanente Medical Group reside, Kaiser relies upon its contracts with non-HPMG physicians and other providers and caregivers to service Kaiser members residing in these shortage areas. To 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.

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Hawaii Association of Health Plans

February 1, 2008

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

Re: HB 2519 – Relating to Health Care

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

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

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

MDX Hawai‘i
University Health Alliance
UnitedHealthcare

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

Thank you for the opportunity to testify in support of HB 2519, 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 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

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HMSA



Blue Cross
Blue Shield
of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

February 1, 2008

The Honorable Josh Green, M.D., Chair
The Honorable John Mizuno, Vice Chair

House Committee on Health

Re: HB 2519 – Relating to Health Care

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

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify in support of HB 2519 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

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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.

Sincerely,

A handwritten signature in black ink, appearing to read 'JD', with a long horizontal flourish extending to the right.

Jennifer Diesman
Director, Government Relations

000079



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

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

House Committee on Human Services & Housing
The Hon. Maile S. L. Shimabukuro, Chair
The Hon. Karl Rhoads, Vice Chair

Testimony in Support of House Bill 2519
Relating to Health Care
Submitted by Beth Giesting, CEO
February 1, 2008, 8:00 a.m. agenda, Room 329

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.

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

"Touching Lives Every Day"

The House of Representatives

Committee on Health

Representative Josh Green, M.D., Chair
Representative John Mizuno, Vice Chair

Committee on Human Services & Housing

Representative Maile Shimabukuro, Chair
Representative Karl Rhoads, Vice Chair

February 1, 2008 at 8:00 a.m.
Conference Room 329
Hawaii State Capitol

Testimony Supporting HB 2519 Relating to Health Care
Establishes the Hawaii Health Corps Program

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, establishing the Hawaii Health Corps Program that offers 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 and incentives directed to alleviating the serious concerns of shortage and distribution of health care provider resources in the state and its impact on access to quality health care to all.

This measure, which offers creative incentives also requires program rulemaking, establishment and administration involving the department of health and the department of business, economic development and tourism, to whom we defer technical considerations. Thank you.

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

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HOUSE COMMITTEE ON HEALTH
Rep. Josh Green, M.D., Chair

Conference Room 329
February 1, 2008 at 8:00 a.m.

Testimony in support of HB 2519.

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. I regret that I shall not be able to testify in person due to a previous commitment. However, I appreciate this opportunity to submit written testimony in support of HB 2519, which establishes the Hawaii Health Corps Program that encourages physicians and dentists to practice 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 students that provides incentives to practice in medically underserved areas after graduation. The program also provides stipends to physicians and dentists who provide at least 50% of their services in shortage areas or at least 10% of their services to uninsured patients. 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.

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HAWAII PSYCHIATRIC MEDICAL ASSOCIATION
1360 S. Beretania Street, 2nd Floor, Honolulu, HI 96814
Ph: (808) 282-0488

COMMITTEE ON HOUSE HEALTH
Rep. Josh Green, MD, Chair
Rep. John Mizuno, Vice Chair

*For House Health Hrg
Friday, 2/1/08 at
8:00 in Rm. 329*

Re: HB 2519, Relating to Health Care

SUPPORT

Hawaii's rural and geographically isolated areas have difficulty recruiting and retaining health care providers, most especially medical specialists. The reasons to the problem are complex to include high cost of living, some of the lowest reimbursements in the nation and lack of tort reform. Social considerations include desire to be in urban centers and in states that offer quality public education and lower cost of housing. The solutions need to be a varied as the complexities of the problem.

Establishing the Hawaii Health Corps will help Hawaii become more competitive to retain and recruit physicians as well as have a prepared quality medical team of first responders in the event of disaster.

Of particular interest to the Hawaii Psychiatric Medical Association membership and as a member of the Psychiatric Access Collaboration are the following features:

1. Student loans in exchange for working in rural underserved areas.
2. Physician and Dentist stipends for working in rural underserved areas
3. Enterprise zone business tax credits to encourage the development of clinics and physicians LLCs which are a more cost-effective business plan for the collaborating or partnership physicians or dentists.

Thank you for your consideration to move this measure forward.

HAWAII PSYCHIATRIC MEDICAL ASSOCIATION

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

February 1, 2008

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

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

CLH agrees with and supports the purpose of the bill to the 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 of further discussion.

Thank you for the opportunity to testify.

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OFFICERS

Cynthia Jean Goto, MD
President

Gary Okamoto, MD
President Elect

Linda Rasmussen, MD
Immediate Past President

Thomas Kosasa, MD
Secretary

Jonathan Cho, MD
Treasurer

Paula Arcena
Executive Director

February 1, 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
2-1-08
Friday
8am
Conf. Rm.329

RE: HB2519 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.

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.

Currently, the bill is limited to primary care providers. We request the bill be amended to benefit all physicians, regardless of specialty.

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

000085

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, 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.

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