

Honolulu, Hawaii

MAR 06 2009

RE: S.B. No. 427

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fifth State Legislature  
Regular Session of 2009  
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 427 entitled:

"A BILL FOR AN ACT RELATING TO GENERAL EXCISE TAXATION,"

begs leave to report as follows:

The purpose of this measure is to exempt from the general excise tax, amounts received by a managed care contractor from the TRICARE program to pay third-party health care providers.

Your Committee received three written comments on this measure. The written comments may be reviewed on the Legislature's website.

Your Committee finds that TRICARE is the managed care program that provides health care to active duty, reserve component, and retired members of the United States uniformed services and their dependents, including approximately 150,000 persons in Hawaii. The TRICARE program contracts with managed care support contractors to maintain networks of authorized civilian third-party health care providers in different regions of the country. The managed care support contractors make advances to third party health care providers for services provided to TRICARE beneficiaries. The United States Department of Defense then reimburses the managed care support contractors for those payments.

Your Committee finds that there exists some ambiguity as to whether a managed care support contractor is subject to the State's general excise tax for the amounts that it receives for



actual costs or advances paid to third party-health care providers. Accordingly, your Committee finds that exempting these amounts from the general excise tax will avoid cost increases for health care services delivered through the TRICARE program and will avoid adverse consequences to uniformed service personnel and their dependents served by the program.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 427 and recommends that it pass Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,

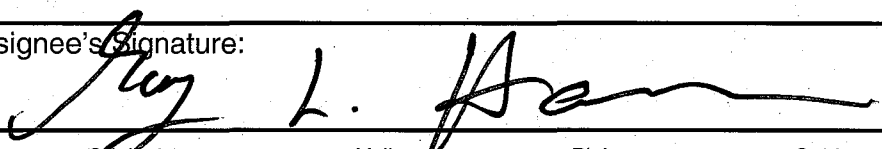


DONNA MERCADO KIM, Chair



The Senate  
Twenty-Fifth Legislature  
State of Hawaii

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:*	Committee Referral:	Date:		
<i>SB 427</i>	<i>HTH, WAM</i>	<i>02/26/09</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input checked="" type="checkbox"/> Pass, unamended 2312 <input type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KIM, Donna Mercado (C)	✓			
TSUTSUI, Shan S. (VC)				✓
CHUN OAKLAND, Suzanne	✓			
ENGLISH, J. Kalani	✓			
FUKUNAGA, Carol	✓			
GALUTERIA, Brickwood	✓			
HEE, Clayton				✓
HOOSER, Gary L.	✓			
KIDANI, Michelle N.	✓			
KOKUBUN, Russell S.	✓			
TOKUDA, Jill N.	✓			
HEMMINGS, Fred	✓			
<b>TOTAL</b>	<i>10</i>			<i>2</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive; font-size: 1.2em;">  </div>				
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\*Only one measure per Record of Votes