

LATE

HOUSE COMMITTEE ON HEALTH
Rep. Ryan I. Yamane, Chair

HOUSE COMMITTEE ON HUMAN SERVICES
Rep. John M. Mizuno, Chair

Conference Room 329
Friday, February 6, 2009 at 9:00 a.m.

Testimony in SUPPORT OF HB 1371

I am Coral Andrews, Vice President 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 1371 which directs funding provided by the federal government's 2009 economic stimulus package for health care programs. The economic challenges facing our state's hospitals, long term care, home care and hospice providers is well documented in the annual report prepared by Ernst and Young that details the financial challenges facing the health care industry in Hawaii. Copies of this report are available on our website at www.hah.org

For the foregoing reasons, the Healthcare Association of Hawaii supports HB 1371 which seeks to improve the financial condition of the health care system.

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Testimony in opposition to measure #HB1527.DOC, by Christopher Maxwell, President, Tobaccos of Hawaii.

Addressed to both Committee on Health and Committee on Human Services.

In reference to the hearing on February 6th, 2009, at 9:00 a.m., in Conference Room 329 of the State Capitol, at 415 South Berentania Street.

It appears from the committee rosters that seven copies will be required.

While the stated purpose of this bill is fairly plain in paragraph 5, Section 1, "...to raise the tax on OTPs.", it contains contradictions, misstatements, misleading information, fallacious reasoning, and one glaringly obvious falsehood.

Paragraph 2, Section 1 of the bill makes the point that in 1965, all tobacco products were taxed at 20%. It also states that “the tax on OTPs has not changed in 43 years.”, yet it also contains the statement that “In 1993, the tax on cigarettes was differentiated from the overall 40 per cent tax on tobacco products”.

If the tax on OTPs hasn't changed in 43 years, how did it get to 40% from 20%? This information not only contradicts itself, it is misleading.

In Paragraph 3, Section 1, the bill places OTP tax revenues in 2007 at \$2.97 million. As the person responsible for the amount of \$.07 million in 2008, I am a small part of the picture, but I can assure you that due to SCHIP, signed into law by President Obama earlier this week, that my State OTP liability will decrease by at least 15% (the law effectively doubling the price of loose tobacco, about 30% of our sales), and probably closer to 25% because a large share of my business is with low income customers, and SCHIP takes away the cost advantages of rolling one's own cigarettes. As in the case of the State of Pennsylvania last year, this kind of massive tax increase will certainly cause a drop in sales of OTPs in Hawaii, thus some loss in revenue for the state. Unfortunately, the authors of the bill don't seem to understand the tobacco market, thus the bill falls victim to fallacy.

Will this bill decrease tobacco use in Hawaii? Possibly. More likely people will turn to cheap and easy sources on the internet in different states and offshore to obtain inexpensive tobacco products, thus putting those agencies currently paying tobacco tax to the State, out of business, decreasing the overall tax base.

That being said, I strongly support a portion of tobacco taxes collected going toward such noble causes as cancer research and screening.

Sincerely,

Christopher Maxwell