SB2203

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 COMMITTEES ON HEALTH AND ECONOMIC DEVELOPMENT AND TECHNOLOGY

S.B. 2203, RELATING TO HEALTH CARE ENTERPRISE ZONES

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

February 5, 2010

Department's Position: The Department of Health supports the intent of this bill and wishes to provide comment relative to the current medically underserved designation process. The Department defers to Department of Business, Economic Development and Tourism regarding potential advantages of creating a Health Care Enterprise Zone.

Fiscal Implications: Deferred to Department of Taxation.

Purpose and Justification: The Department of Health supports the intent of this bill because of the need to attract primary care providers to medically underserved areas (MUA) within the state. However, the Department disagrees with the creation of newly created MUA's, because the Department already has in place through the primary care office, a well-defined process, definition, and criteria for designating MUA's. MUA's within the state are one of two major categories of federal designations; Health Professional Shortage Area (HPSA), and MUA//Medically Underserved Populations (MUP). These federal shortage designations document a significant shortage of primary care providers in a rural or urban service area; are specific to a service area that can be a county, group of towns, groups of census tracts in a city, a state or federal correctional facility, a rural health clinic, or a community health center; and are associated with difficulty or delays in getting basic health care services. It is recommended, that the definition, process, and criteria be revised to be consistent with those already in place throughout Hawaii's counties. Specifically, the medically underserved areas in the state are based on data that demonstrate significant under-service for an area, and are measured by an index of medical under-service (IMU), which is ≤ 62. Therefore, the creation of broad criteria contained in Section 209 E-B would be in conflict with already established federal criteria for MUA designations and create confusion.

Once communities receive a federal MUA designation then health care providers and facilities are eligible to request placement of health professionals in designated shortages areas as part of the Federal Loan Repayment Program. Health Resources Services Administration recently announced that they will be expanding this program to more than double the number of loan repayment health professionals within under-served communities. Hawaii will greatly benefit from the proposed expansion.

Thank you for this opportunity to testify on this measure.

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
PEARL IMADA IBOSHI
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Bldg., 250 South Hotel St., 5th Flr., Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Tel.: (808) 586-2355
Fax: (808) 586-2377

Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEES ON HEALTH AND ECONOMIC DEVELOPMENT AND TECHNOLOGY
Friday, February 05, 2010
2:45 PM
State Capitol, Conference Room 016

in consideration of
SB 2203
RELATING TO HEALTH CARE ENTERPRISE ZONES.

Chairs Ige and Fukunaga, Vice Chairs Green and Baker and Members of the Committees.

The Department of Business, Economic Development, and Tourism (DBEDT) has concerns regarding SB 2203 which adds a new part to chapter 209E that establishes health care enterprise zones to provide tax and loan incentives for primary care practitioners located in health care enterprise zones. Given the current fiscal situation, we feel it would not be prudent to pursue enactment at this time. We defer to the Department of Health to comment on the merits of the bill and to the Department of Taxation to ascertain the financial impact of this measure.

This bill will provide Enterprise Zone (EZ) program benefits to primary care practices located in areas to be determined and which may not necessarily be located in enterprise zones identified and requested for by the Counties and approved by the Governor. This would require a new chapter be created, in addition to new administrative rules.

Thank you for the opportunity to provide these comments.

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

KURT KAWAFUCHI
DIRECTOR OF TAXATION

STANLEY SHIRAKI
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

SENATE COMMITTEES ON HEALTH AND ECONOMIC DEVELOPMENT & TECHNOLOGY TESTIMONY REGARDING SB 2203 RELATING TO HEALTH CARE ENTERPRISE ZONES

*****WRITTEN TESTIMONY ONLY*****

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: FEBRUARY 5, 2010
TIME: 2:45PM
ROOM: 016

This measure creates "Health Enterprise Zones" patterned after the existing state enterprise zone structure. Included within the Health Enterprise Zone program would be various tax incentives.

The Department of Taxation (Department) **opposes** this measure because it is **outside the budget priorities this legislative session**.

Notwithstanding the merit of this measure, the Department cannot support the tax impacts in this measure because these tax breaks are not factored into the budget. The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either. Given the forecasted decrease in revenue projections, this measure would add to the budget shortfall.

The Department simply cannot support expanding the enterprise zone tax incentives given the other more important competing priorities for general fund revenues.

HAWAII MEDICAL ASSOCIATION
1360 S. Beretania Street, Suite 200, Honolulu, Hawaii 96814
Phone (808) 536-7702 Fax (808) 528-2376 www.hmaonline.net

Friday, February 5, 2010, 2:45 p.m., Conference Room 016

To: COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
Senator Carol Fukunaga, Chair
Senator Rosalyn H. Baker, Vice Chair

COMMITTEE ON HEALTH
Senator David Y. Ige, Chair
Senator Josh Green, M.D., Vice Chair

From: Hawaii Medical Association
Gary A. Okamoto, MD, Legislative Co-Chair
Linda Rasmussen, MD, Legislative Co-Chair
April Donahue, Executive Director
Lauren Zirbel, Government Affairs
Dick Botti, Government Affairs

Re: SB2203 RELATING TO HEALTH CARE ENTERPRISE ZONES

Support

Chairs & Committee Members:

Hawaii Medical Association supports SB2203 Relating to Health Care Enterprise Zones as a means of addressing our rural area physician shortage. This measure can help accomplish a number of long-term goals, such as

- Increase the opportunity for employment and/or entrepreneurial opportunities for health care professionals in our rural communities;
- Improve safety and access to care for patients living in underserved areas;
- Increase availability of preventive care that can create cost-savings on future health care expenses for the state;
- Encourage economic growth in rural areas of Hawaii; and
- Address our access to medical care crisis with long range planning.

This investment now will provide not only a return on investment in these long-term goals, but will help ensure the health and well-being of rural residents while recruiting taxpayers of the future.

We would like to also comment that requiring a patient base of 50% Medicaid is too stringent. Due to the vast deficiency in the ability of Medicaid reimbursements to cover the cost of providing care, a 50% Medicaid patient base is a serious financial burden on primary care practitioners. We strongly recommend reducing that percentage.

Thank you for your consideration and the opportunity to testify.

Hawaiʻi Primary Care Association
345 Queen Street | Suite 601 | Honolulu, HI 96813-4718 | Tel: 808.536.8442 | Fax: 808.524.0347
www.hawaiipca.net

Senate Committee on Health
The Hon. David Y. Ige, Chair
The Hon. Josh Green, MD, Vice Chair

Senate Committee on Economic Development and Technology
The Hon. Carol Fukunaga, Chair
The Hon. Rosalyn H. Baker, Vice Chair

Testimony in Support of Senate Bill 2203

Relating to Health Care Enterprise Zones
Submitted by Beth Giesting, Chief Executive Officer
February 5, 2010, 2:45 p.m., Room 016

The Hawaii Primary Care Association strongly supports this bill to create Health Enterprise Zones and provide incentives to qualified practices. We recommend two amendments to the bill. First, we propose clarifying that federally qualified health centers will be eligible for these incentives since they are located in federally designated underserved areas. Second, we recommend adjusting the definition of a "qualified practice" to decrease the required amount of qualified receipts from fifty to twenty five percent.

Amendment #1: "Nothing in this bill shall be construed to exclude federally qualified health centers and their practitioners from eligibility or participation in the incentives offered in health care enterprise zones."

Amendment #2, Page 2 lines 1 through 6: "Qualified practice" means a health care practice at which twenty five per cent or more of the total amount received for services at that practice for the taxable year are qualified receipts and fifty per cent or more of the patients whose services are compensated by qualified receipts reside in a designated health care enterprise zone.

Thank you for the opportunity to support this measure.

February 5, 2010
Friday
[illegible] PM
Conference Room [illegible]6

To: Senate Committee on Health
Senator David Y. Ige, Chair
Senator Josh Green, MD, Vice Chair
Senate Committee on Economic Development and Technology
Senator Carol Fukunaga, Chair
Senator Rosalyn H. Baker, Vice Chair

From: Raydeen Busse, MD, Chair, American Congress of Obstetricians and Gynecologists (ACOG), Hawaii Section
Harry Yoshino, MD, Immediate Past President, ACOG, Hawaii Section
John Lee, MD, Vice Chair, ACOG, Hawaii Section
Lori Kamemoto, MD, Government Relations Committee Chair, ACOG, Hawaii Section

Re: **SB2203 RELATING TO HEALTH CARE ENTERPRISE ZONES**

Dear Chairs Ige and Fukunaga, Vice Chairs Green and Baker, and Committee Members:

The American Congress of Obstetricians and Gynecologists (ACOG), Hawaii Section, supports SB2203. We strongly support tax incentives to health care providers practicing in rural areas, particularly on the neighbor islands, as a means to recruiting new rural health care providers and retaining those that are already caring for patients in these areas.

As obstetrician-gynecologists we are often the only physician our patients have, and are their primary care provider. This is particularly true on the neighbor islands where there is a shortage of primary care providers. In addition to the shortage of both primary and specialty care providers on the neighbor islands, these areas have also been subject to a payor mix with a high proportion of patients on QUEST-Medicaid with relatively poor reimbursements; lack of adequate hospital support; lack of access to specialty care referrals; and for our obstetrician-gynecologists, a relatively higher proportion of high risk pregnancy patients. These, as well as other factors have contributed to the shortage of physicians and other health care providers. Hawaii ACOG therefore supports tax incentives as a step towards encouraging providers to continue to practice under these conditions, as well as assist in recruiting new physicians.

During these economically stressful times, health care providers need this tax incentive support to continue to provide care, as well as assist in recruiting new graduates. Hawaii ACOG strongly supports improving healthcare for Hawaii's women, including those on the neighbor islands, and this bill is a step towards that goal.

Thank you very much for the opportunity to submit testimony on this bill.

Roydeen M. Busse, MD, FACOG

Harry Yoshino, MD, FACOG Past Chair [illegible]
Acting [illegible]

John Lee, MD, FACOG

Testimony of Thomas J. Smyth, CEcD
Before the
Committee on Health
Committee on Economic Development and Technology
Friday, February 5, 2010 2:45 p.m. Conference Room 016
On

SB 2203 Relating to Health Care Enterprise Zones

Chairs Ige and Fukunaga, Vice Chairs Green and Baker and Committee Members:

I understand the admirable purpose and intent of this bill. However, I cannot support it for reasons I will enumerate.

As I have stated before, current DBEDT staff is struggling to understand how the existing EZ Partnership works and, in my opinion as the former EZ Partnership manager, they would not be able to handle the very complex and somewhat subjective definitions and new tax credits in this bill, even with support from the already understaffed Department of Health.

Here are my concerns:

1. A very important principle of the current long-standing EZ Partnership is its true and unique partnership among three parties: **the state**, giving tax exemptions and credits; **the counties** nominating areas for EZ designation and who also may give certain tax credits and other benefits; **and those businesses** enrolled in the program.

By requiring the Director of Health to designate these health care zones, the county is left out of the partnership and areas not previously nominated by the counties and not meeting the basic eligibility for nomination, would be included for the Neighbor Islands.

Allowing counties to provide property tax exemptions or reductions does include them in part, but it is not clear if they must also provide the exemptions presently allowed on the property tax increment from tax increases from new construction for two or three years, even though the Health Care EZ is not part of an area nominated by the county. In addition, requiring the counties to review and approve the "tenant rebate" is a new burden on them. **Both appear to be unfunded mandates proscribed by AG Opinion 98-1, as noted in Chapter 209E, HRS.**

2. Requiring DBEDT to administer a low-interest loan program **does not take into account the recent decision to lay-off its remaining Business Loan Officer.** It is thus not really able to provide new loans other than those required in a state-level disaster. As the former administrator of DBEDT direct loan programs I believe these loans could be complex to underwrite, since a financial business plan and repayment ability would be very difficult to determine in the face of the current health care financial crisis.

Thank you for the opportunity to provide comments.