



HAWAII MEDICAL ASSOCIATION

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Thursday, March 17 2011, 10:35am, Conference Room 329

To: COMMITTEE ON HUMAN SERVICES

Rep. John M. Mizuno, Chair

Rep. Jo Jordan, Vice Chair

COMMITTEE ON HEALTH

Rep. Ryan I. Yamane, Chair

Rep. Dee Morikawa, Vice Chair

From: Hawaii Medical Association

Dr. Morris Mitsunaga, MD, President

Linda Rasmussen, MD, Legislative Co-Chair

Dr. Joseph Zobian, MD, Legislative Co-Chair

Dr. Christopher Flanders, DO, Executive Director

Lauren Zirbel, Community and Government Relations

Re: SB 595 SD2 RELATING TO PHYSICIANS

In Support

Chairs & Committee Members:

Hawaii Medical Association supports this measure as a means to encourage Physicians to take Medicaid patients. There is currently an especially bad access to care crisis for Medicaid patients because reimbursements do not come close to covering the cost of providing care (60% of Medicare) and the Managed Care Organizations responsible for approving payments and formularies for these patients are so intolerably restrictive and burdensome that most independent Physicians have been forced to stop taking Medicaid because they can not afford the extra full time staff person needed to fight with Medicaid insurance representatives all day every day.

This bill would help to make Hawaii a more "Physician Friendly" State.
According to a workforce assessment recently conducted with additional money taken from Doctors licensing fees, the State of Hawaii is short 644 Doctors. That is a 23% shortage. The shortage is expected to increase to 50% in the next decade. Patients injured on neighbor islands often unnecessarily die or have lifelong medical issues due to our access to care crisis.

A truthful analysis of facts, as has been provided to the legislature multiple times by studies issued by the Insurance Commissioner, show that Malpractice reforms such

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- STEPHEN KEMBLE, MD EXECUTIVE DIRECTOR - CHRISTOPHER FLANDERS, DO

as caps on non-economics damages would lower malpractice premiums by around 15%. This is likely why the state imposes caps for State Lifeguards.

Reductions in frivolous lawsuits, which often leave doctors with posttraumatic stress disorder, have shown to flood states with applications for state licensure from Physicians. This solution would also reduce defensive medicine. The CBO estimated that caps on non-economic damages would reduce the federal deficit by \$54 billion over 10 years. Unfortunately, politics will not allow this solution to our problems to proceed.

As an alternative, the idea has been discussed to have the state simply pay for the cost of Malpractice insurance. This would be a step in the right direction and would help slow the onset of our state's impending Doctor shortage disaster. If nothing continues to be done, as has been the case for the past 20 years, we will witness a perfect storm of retiring doctors and baby boomers that require more medical care.

We would like to thank the legislature for amending the measure to include doctors who practice in rural areas, doctors who take Medicare patients, and doctors who take emergency call.

Factors which make Hawaii unattractive to new physicians and have resulted in doctors leaving Hawaii for the past 20 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 office staffing, office rent and other business expenses;
 - Income is based on capped and often inadequate payment for services from private and public health plans; and
- For new physicians, typical student loan debt around \$160,000.

Thank you for the opportunity to testify.



HOUSE COMMITTEE ON HEALTH
Rep. Ryan Yamane, Chair

HOUSE COMMITTEE ON HUMAN SERVICES
Rep. John Mizuno, Chair

Conference Room 329
March 27, 2011 at 10:35 a.m.

Supporting SB 595 SD 2.

The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. Our members employ more than 40,000 people statewide, delivering quality care to the people of Hawaii. Thank you for this opportunity to testify in support of SB 595 SD 2, which creates a tax credit for physicians who care for Medicaid enrollees.

Statewide, based on study by Dr. Kelley Withy, the demand for physicians far outstrip the supply, with Hawaii currently being underserved by at least 450 physicians, two-thirds of whom are needed on the Neighbor Islands. Complicating matters is that of the approximately 2,800 physicians currently practicing, nearly 40 percent will reach the retirement age of 65 within the next 10 years.

Physicians leaving practice, combined with the graying of the Hawaii population, means that Hawaii will need 1,000 new physicians by the year 2030 in order to maintain current service levels. The issue of access will be even more critical with the implementation of federal health care reform and the creation of Health Insurance Exchanges in 2014, which will result in more people obtaining insurance coverage and an increase in the demand for medical services.

Despite the fact that Hawaii has one of the highest costs of living in the nation, physician reimbursements are only the twenty-second highest, based on Medicare fees. Furthermore, Medicaid reimbursements tend to be lower than average. This bill is designed to maintain access to health care for Medicaid enrollees.

For the foregoing reasons, the Healthcare Association supports SB 595 SD 2.

Sent: Wednesday, March 16, 2011 9:51 AM
To: HUSTestimony
Subject: Tax Foundation Testimony
Attachments: s0595e11.pdf

TRANSMISSION OF TESTIMONY

DATE: Wednesday, March 16, 2011
TO: House Committee on Human Services
House Committee on Health
FROM: Tax Foundation of Hawaii

Total Pages 2

FOR: Rep. John Mizuno, Chair
Rep. Ryan Yamane, Chair

Testifier: Lowell L. Kalapa, President - Tax Foundation of Hawaii

(Mr. Kalapa will not appear in person at the hearing.)

Date of Hearing - Thursday, March 17, 2011

Position: Comments

Time of Hearing - 10:35 am

SB 595, SD-2 - Relating to Physicians (2 pages)

Number of copies - 1

Thank you.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Medicaid physician tax credit

BILL NUMBER: SB 595, SD-2

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow a physician licensed to practice medicine under HRS chapter 453 or a clinic that employs physicians licensed under HRS chapter 453, physician's assistants, or advanced practice registered nurses and pays the cost of their malpractice insurance premiums, to claim an income tax credit provided that: (1) at least ___% of the physician's or clinic's total patient case load consists of Medicaid patients; (2) the physician's primary office or clinic is located in a rural area of the state and the physician regularly treats patients from that area; or (3) the physician or clinic takes or responds to emergency calls. Stipulates that the physician or clinic does not owe any delinquent state taxes, penalties, or interest.

The credit shall be ___% of the amount of the medical malpractice insurance premium paid by the taxpayer for the taxable year the credit is claimed. Tax credits in excess of income tax liability shall be refunded to the taxpayer provided such amounts are in excess of \$1. Allows the director of taxation to adopt necessary rules and forms pursuant to HRS chapter 91 to carry out this section. Claims for the credit, including any amended claims, must be filed on or before the end of the twelfth month following the close of the taxable year.

EFFECTIVE DATE: July 1, 2050; applicable to tax years beginning after December 31, 2010

STAFF COMMENTS: This measure proposes a tax credit for taxpayers who are physicians, clinics, physician's assistants or advanced practice registered nurses who: (1) have a patient case load of which at least ___% are Medicaid patients; (2) is located in a rural area; or (3) responds to emergency calls.

If this measure is adopted, it would merely result in a handout of state funds through the state tax system regardless of a taxpayer's need for tax relief. While the amount of the proposed credit is a percentage of the amount of malpractice insurance premiums paid for a taxable year by the physician, apparently the sponsors of this measure believe that medical malpractice insurance is a key cost to such physicians. If, indeed, medical malpractice insurance premiums are a financial barrier to attracting physicians to treat Medicaid patients, then addressing the problem with a rebate in the form of a tax credit is inane.

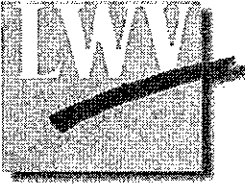
If lawmakers truly believe the cost of medical malpractice insurance deters physicians from treating Medicaid patients, then the attack should be on what causes the high insurance premiums. As the professional community has pointed out time and again, the high cost of medical malpractice begs tort reform with limits placed on how much can be sought in damages for various types of malpractice. With the sky the limit approach for any litigation, how can one doubt the high cost of those premiums?

On the other hand, if lawmakers believe that their only alternative is to subsidize the cost of the premiums, then an outright subsidy of those premiums should be put in place staffed by persons who can verify the amount of insurance, the premium that is appropriate to subsidize, and to whom the subsidy should be granted based on the need for medical care throughout the state. Using the state tax system makes absolutely no sense, contributes to the complexity of the system which, in turn, increases the cost of administration and compliance.

Lawmakers should remember that the tax system exists for the sole purpose of raising the necessary revenue to run government and provide those services deemed of greatest importance to the health and welfare of the community. This is a point that was underscored by the representative from the national Conference of State Legislatures recently before the House Finance Committee when she noted that "the tax system is the mechanism by which governments raise the revenues to provide government services."

This measure is a reflection of the lack of understanding on the part of lawmakers about the state's tax system, its purpose, functions and limitations. If adopted, the measure would result in a lack of accountability as there is no way to determine the cost of the credit to the state's revenue resources. This makes about as much sense as imposing a special tax on trial lawyers who bring such malpractice suits to fund the tax credit proposed in this measure.

Digested 3/16/11



THE LEAGUE OF WOMEN VOTERS OF HAWAII

March 16, 2011

Testimony in **support** of SB 595

House of Representatives

Thursday, March 12, 2011

Room: 329

Time: 10:35

Committee on Human Services

Representative John M Mizuno, Chair

Representative Jo Jordan, Vice Chair

Committee on Health

Representative Ryan I Yamane, Chair

Representative Dee Morikawa, Vice Chair

The League stands in **support** of SB 595 and any cost effective and reasonable incentive that would retain and or encourage the practice of medicine in the State of Hawaii by qualified and participating physicians.

In particular we support an incentive to provide a tax credit for our practicing physicians.

The undeserved, Medicaid and Medicare recipients have difficulty accessing care, and we would be hopeful this tax incentives/credits would encourage quality physician participation in the proposed tax relief for them

We continue to support incentives to encourage our physicians provide access for health care to all in our state.

Thank you for allowing me to testify

Joy A Marshall, RN

Chair, Health Care Reform

League of Women Voters of Hawaii

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Sent: Tuesday, March 15, 2011 11:54 PM
To: HLTtestimony
Cc: swartzg001@hawaii.rr.com
Subject: Testimony for SB595 on 3/17/2011 10:35:00 AM

Testimony for HLT/HUS 3/17/2011 10:35:00 AM SB595

Conference room: 329
Testifier position: support
Testifier will be present: No
Submitted by: gregory swartz
Organization: Individual
Address:
Phone:
E-mail: swartzg001@hawaii.rr.com
Submitted on: 3/15/2011

Comments:

During the last several years, the Federal Government has reduced Medicare reimbursements to physicians resulting in many physicians in Hawaii declining to service Medicare patients irrespective of their secondary insurance. The reduction in Medicare care reimbursements is made even worse by the fact that Hawaii is improperly classified as a low-health-cost State for purposes of Medicare reimbursement. The reluctance of physicians to treat Medicare patients will increase in the years coming with the further Medicare cuts proposed in the recent health care reform legislation. The tax credit in this bill should be extended to physicians agreeing to treat Medicare patients before the elderly and disabled are left helpless in seeking health care.