

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

LATE TESTIMONY

March 23, 2011

The Honorable Gilbert S. C. Keith-Agaran, Chair
The Honorable Robert N. Herkes, Chair

House Committees on Judiciary and Consumer Protection and Commerce

Re: SB 595. SD2 – Relating to Physicians

Dear Chair Keith-Agaran, Chair Herkes and Members of the Committees:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify in support of SB 595, SD2 which would establish tax credits for physicians provided that at least a portion of their patients are made up of those receiving services through a Medicaid plan.

Hawaii as well as the rest of the nation, continues to face a shortage of qualified health professionals, especially in rural areas. This also translates to fewer physicians willing to accept individuals receiving health care services through government sponsored health care plans such as QUEST. This is based on the fact that traditionally this population may be more challenging and that government-set reimbursement rates are insufficient.

This Bill would provide an incentive, in the form of a tax credit, to those physicians whose total patient caseload includes individuals receiving services through Medicaid programs. We support this proposal which could help to alleviate a growing problem across the state and incentivize physicians to accept additional Medicaid patients.

Thank you for the opportunity to offer supportive testimony on this measure.

Sincerely,

A handwritten signature in black ink that reads 'Mark K. Oto'.

Mark K. Oto
Director
Government Relations

Tax Foundation Testimony

Tina Desuacido [tina500@juno.com]

Sent: Tuesday, March 22, 2011 3:07 PM

To: JUDtestimony

Attachments: s0595e11.pdf (35 KB)

TRANSMISSION OF TESTIMONY

DATE: Tuesday, March 22, 2011

TO: House Committee on Judiciary
House Committee on Consumer Protection & Commerce

FROM: Tax Foundation of Hawaii

Total Pages 2

FOR: Rep. Gilbert Keith Agaran, Chair
Rep. Robert Herkes, Chair

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

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

Date of Hearing - Wednesday, March 23, 2011

Position: Comments

Time of Hearing - 2:15 pm

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

Number of copies - 3

Thank you.

LATE TESTIMONY

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



HAWAII MEDICAL ASSOCIATION

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

Wednesday, March 23 2011, 2:15 PM, Conference Room 325

To: COMMITTEE ON JUDICIARY
Rep. Gilbert S.C. Keith-Agaran, Chair
Rep. Karl Rhoads, Vice Chair

COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Rep. Robert N. Herkes, Chair
Rep. Ryan I. Yamane, 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

LATE TESTIMONY

Re: SB 595 SD2 RELATING TO PHYSICIANS

In Support

Chairs & Committee Members:

We are very grateful to the committees for hearing this measure. The access to care crisis on the neighbor islands has reached a truly intolerable level. We hear horror story after horror story about individuals injured on the neighbor islands dying or suffering from lifelong injury because they are unable to receive care. This bill helps those who are serving the most desperately underserved populations. This bill will help make it more viable for doctors to see Medicaid patients (there is a much higher population on Medicaid patients on the neighbor islands), practice in rural areas and take emergency call.

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.

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

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.

This would be a step in the right direction and would help slow the onset of our state's impending Doctor shortage disaster. For new physicians, typical student loan debt is around \$160,000, the incentives in this bill would go a long way to help younger debt ridden doctors to practice in rural areas with higher populations of Medicaid patients.

Thank you for the opportunity to testify.