



THE LEAGUE OF WOMEN VOTERS OF HONOLULU

February 8, 2011

Testimony in support of SB 595

Wednesday February 9, 2011

Conference Room 229

State Capitol

Committee on Health

Senator Josh Green, M. D. , Chair

Senator Clarence K. Nishihara, Vice Chair

The League stands in strong 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. In particular we support an incentive to provide a tax credit for our practicing physicians.

There are the under served, and the Medicaide and Medicare recipients who have difficulty accessing care, and we would be hopeful this tax incentive 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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SUBJECT: INCOME, Medicaid physician tax credit

BILL NUMBER: SB 595

INTRODUCED BY: Green, Shimabukuro and 5 Democrats

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow a taxpayer licensed to practice medicine under HRS chapter 453 to claim an income tax credit provided that: (1) at least 15% of the physician's total patient case load consists of Medicaid patients; and the physician does not owe any delinquent state taxes, penalties, or interest.

The credit shall be 100% 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: Tax years beginning after December 31, 2010

STAFF COMMENTS: This measure proposes a tax credit for taxpayers who are physicians who have a patient case load of which at least 15% are Medicaid patients. 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 100% 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 100% 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 is 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 complexity of the system which, in turn, increases the cost of administration and compliance.