

TESTIMONY

HB1723, HD1

**HTH
Committee Hearing
03-16-2012**



Hawaii Chapter, MOAA
P.O. Box 1185
Kailua, Hawaii 96734-1185

Testimony of Thomas Smyth

Military Officers Association of America, Hawaii Chapter

Before the Senate Committee on Health

Friday, March 16, 2012, 1:30 pm, Room 229

HB 1723 HD 1 Relating to the TRICARE Program

Chair Green, Vice Chair Nishihara and Committee Members

Our chapter of 400 retired and currently serving officers of the Uniformed Services strongly supports HB 1723 HD 1 that removes the 2013 sunset for the GET exclusion for TRICARE. This bill is the companion to SB 2101 that this committee previously heard and passed without amendment.

The three TRICARE programs are an essential part of military compensation: TRICARE For Life is used by retirees over the age of 65 in conjunction with Medicare Part B to ensure relatively affordable managed care. TRICARE Standard and Tricare Prime provide health insurance to currently serving personnel and retirees under age 65 and their families.

There is Washington debate on raising rates for all categories of TRICARE, some by hundreds of dollars. If all or part of these increases do occur, GET paid by the TRICARE contractor on their fee will increase without raising the costs even more to those using their services.

Hawaii is the only state with a tax on revenues of for-profit service providers. The western regional TRICARE managed care support contractor does not have to pay a similar tax in the other 20 states in their region. Allowing the GET exemption to end would significantly increase the cost of care for our service members, who just happen to live in Hawaii. It is only fair to remove the sunset provision to allow these costs to stabilize.

Thank you for the opportunity to provide testimony on this important bill.

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SUBJECT: GENERAL EXCISE, Extend TRICARE exclusion

BILL NUMBER: HB 1723, HD-1

INTRODUCED BY: House Committee on Finance

BRIEF SUMMARY: Amends Act 70, SLH 2009, to extend the exclusion from the general excise tax of the amounts received by a managed care support coordinator of the TRICARE program for reimbursement of costs or advances made to health care providers pursuant to a contract with the United States for the administration of the program from December 31, 2013 to December 31, 2015.

EFFECTIVE DATE: July 1, 2012

STAFF COMMENTS: The TRICARE program was established by the U.S. Department of Defense (DOD) as the managed care component of the Military Health Care system to augment the health care services provided to DOD personnel at military treatment facilities. TRICARE contracts with third-party administrators (managed care support contractors) to establish and maintain networks of TRICARE-authorized civilian health care providers. These managed care support contractors make advances to health care providers for the services they provide to TRICARE beneficiaries and are reimbursed by the DOD for the amounts of such advances. Note well that this exemption does not apply to the fee paid to the third-party administrator which would continue to be subject to the general excise tax as the fee is gross income to the third party administrator.

While Act 70, SLH 2009, clarified that amounts received by the managed care support coordinators as reimbursements from the DOD for advances they made on behalf of the DOD for TRICARE program purposes are not taxable under Hawaii's general excise tax law, the Act contained a December 31, 2013 sunset date. While the proposed measure would extend this measure for another two years until December 31, 2015, it is questionable why this exclusion is not made permanent as originally introduced by this measure.

Digested 3/13/12

POSITION: COMMENTS ONLY

SUBMITTED BY: LOWELL KALAPA

ECVD ON: MARCH 13, 2012 @ 2:49 PM.



March 14th, 2012

**TESTIMONY IN SUPPORT OF HOUSE BILL 1723 HD1
RELATING TO THE TRICARE PROGRAM**

SENATE COMMITTEE ON HEALTH

HEARING ON FRIDAY, MARCH 16TH, AT 1:30 PM, IN CONFERENCE ROOM 229

Aloha Chair Green: The Oahu Veterans Council' delegates are honored to represent the interests of our veterans and their families. Our Legislative Committee voted unanimously to support House Bill 1723 HD1.

We sincerely appreciate your efforts to exclude from our general excise tax, amounts received by a managed care support contractor of the TRICARE program, for the actual cost or advancement to third party health care providers, pursuant to a contract with the United States.

The Oahu Veterans Council respectfully urges your committee to consider passing House Bill 1723 HD1 as written; mahalo, for allowing us to testify, regarding this extremely important issue.

Dennis Egge

Dennis Egge; Chairman, Legislative Committee



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TO: Senator Josh Green, M.D.
Chair, Committee on Health
Via Email: HTHtestimony@capitol.hawaii.gov and Hand Delivery

FROM: Gary M. Slovin

DATE: March 15, 2012

RE: H.B. 1723, H.D. 1 - Relating to the TRICARE Program
Hearing Date: Friday, March 16, 2012 at 1:30 p.m.
Conference Room 229

Dear Chair Green and Members of the Committee on Health:

I am Gary Slovin, testifying on behalf of TriWest Healthcare Alliance Inc. ("TriWest"), a Delaware corporation headquartered in Phoenix, Arizona. **TriWest supports H.B. 1723, H.D. 1, Relating to the TRICARE Program.**

In Hawaii, TriWest is the only third-party administrator of a cost-effective, high quality network of health care providers for the nation's active and retired uniformed service members and their families, under a federal government program known as "TRICARE" (formerly known as "CHAMPUS").

What is TRICARE? The Federal Government has established a managed health care program for members of the uniformed services and certain dependents. It was created in the early 1990s to supplement the existing military health care delivery system and provide health care services for active duty military personnel, military retirees, and their families (collectively, the "Beneficiaries") by utilizing civilian health care providers.

In Hawaii, the Beneficiaries have access to military health care facilities, such as the Tripler Army Medical Center, and to health care clinics on military bases throughout the state. In addition, the Beneficiaries have access to medical services through the network of community health care providers that have been contracted by TriWest.

TRICARE receives its funding as part of the annual defense appropriations budget. It is administered by the TRICARE Management Activity ("TMA"), which is part of the United States Department of Defense ("DoD"), Office of the Assistant Secretary of Defense (Health Affairs).

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What is TriWest? TriWest is dedicated to providing the best possible service to military families. It manages the TRICARE program for over 3 million Beneficiaries – this is TriWest’s only line of business. In Hawaii, TriWest employs approximately fifty-five employees.

In the health care industry, TriWest’s business would be characterized as a “**third-party administrator.**” TriWest, known as a “**managed care support contractor**” in the applicable Federal laws and regulations, is a disbursing agent for the Federal Government in the western states, including Hawaii. Its job is to receive claims and invoices from health care providers, and then pay those claims according to the amounts and guidelines set by the Government (“**reimbursement**”). The Government then reimburses TriWest for the amounts paid, and also pays TriWest an **administrative fee** for its services. .

TriWest pays, and has always paid, Hawaii General Excise Tax on the amounts it receives from TRICARE as compensation for its services as *managed care contractor*, but it does not pay, and has never paid, tax on the reimbursement amounts. TriWest has in the past worked with the Department of Taxation to seek confirmation that it is not subject to Hawaii General Excise Tax on such amounts. Department representatives generally have been sympathetic to TriWest’s position and understanding of its desire for certainty as to its tax liability. In the process of reviewing TriWest’s request for a definitive ruling letter from the Department, however, some technical concern was expressed as to the clarity of the legal basis for exempting such reimbursement amounts from Hawaii General Excise Tax. Therefore, in 2009, Act 70 was passed to amend HRS Section 237-24 (Amounts not taxable) by adding a new subsection (17).

“(17) Amounts received by a managed care support contractor of the TRICARE program that is established under Title 10 United States Code chapter 55, as amended, for the actual cost or advancement to third party health care providers pursuant to a contract with the United States.”

This clarified that the amounts received by TriWest from TRICARE as “reimbursements” are excluded from the imposition of the General Excise Tax. However, this is scheduled to sunset on December 31, 2013. The current draft of the bill would extend this date to December 31, 2015.

We would like to also note that, based upon our updated figures, the number of current and former service members and their family members who are served in Hawaii is one hundred sixty-five thousand, not one hundred fifty thousand as the bill currently states on page 1, lines 9-10.

We would respectfully request that the Committee pass this bill unamended. We thank you for the opportunity to testify in support of this measure.

HMSA



Blue Cross
Blue Shield
of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

March 16, 2012

The Honorable Josh Green, M.D., Chair
The Honorable Clarence K. Nishihara, Vice Chair

Senate Committee on Health

Re: HB 1723, HD1 – Relating to the Tricare Program

Dear Chair Green, Vice Chair Nishihara and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify in support of HB 1723, HD1. However, we do have a suggested amendment to the Bill.

Act 70, SLH 2009, clarified that any amounts received by a managed care support contractor for reimbursements of costs made by the contractor to administer the federal government's TriCare program, are exempt from the Hawaii General Excise Tax. That Act includes a provision requiring its repeal on December 31, 2013. HB 1723, HD1 would extend the program for two years.

We believe that this program should be made permanent by eliminating the "sunset" provision in the current law rather than simply extending it for two years, as is reflected in SB 2101, SD1. Such action truly will support the continued availability and strength of the TriCare program and ensure that HMSA is able to continue to provide coverage to many of the approximately 163,000 current and former military personnel and their family members who reside in Hawaii.

Thank you for the opportunity to testify in support of HB 1723, HD1.

Sincerely,

A handwritten signature in black ink, appearing to read "JD", with a long horizontal flourish extending to the right.

Jennifer Diesman
Vice President
Government Relations