

# TAXBILLSERVICE

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**SUBJECT:** GENERAL EXCISE, Make TRICARE exclusion permanent

**BILL NUMBER:** SB 2101, HD-1

**INTRODUCED BY:** House Committee on Health

**BRIEF SUMMARY:** Amends Act 70, SLH 2009, to make permanent 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 by repealing the December 31, 2013 sunset provision.

**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. The proposed measure would make this general excise tax exclusion permanent.

Digested 3/19/12

**Testimony to the House Committee on Finance  
Thursday, March 29, 2012  
10:00 AM  
Conference Room 308**

**RE: SENATE BILL NO. 2101, SD1, HD1, RELATING TO THE TRICARE PROGRAM**

**Chair Oshiro, Vice Chair Lee, and members of the committee.**

My name is Charles Ota and I am the Vice President for Military Affairs at The Chamber of Commerce of Hawaii (The Chamber). I am here to state The Chamber's support of Senate Bill No. 2101, SD1, HD1, Relating to The TRICARE Program.

The measure proposes to make permanent the general excise tax exemption on 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 Chamber's Military Affairs Council (MAC) serves as the liaison for the state in matters relating to the U.S. military and provides oversight for the State's \$12.2 billion dollar defense industry.

The proposal recognizes that managed care support contracts are awarded by the United States to extend authorized health care services to eligible military members, their families, and veterans, and should not be subject to payment of the state GET.

Thank you very much for the opportunity to testify in support of this measure.



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

**Testimony of Thomas Smyth**

**Military Officers Association of America, Hawaii Chapter**

**Before the Committee on Finance**

**Thursday, March 29 2012, 10:00 am, Room 308**

**SB2101 SD1 HD1 Relating to the TRICARE Program**

**Chair Oshiro, Vice Chair Lee and Committee Members**

**Our chapter of 400 retired and currently serving officers of the Uniformed Services strongly supports SB2101 SD1 HD1, as amended, removing the 2013 GET exclusion sunset for TRICARE in Hawaii.**

**Three TRICARE programs are an essential element of military compensation: TRICARE For Life is for retirees over the age of 65 in conjunction with Medicare Part B. TRICARE Standard and Tricare Prime for insurance to currently serving personnel and retirees under age 65.**

**As we noted in our testimony on HB 1723, which this committee amended by extending the exclusion from 2013 to 2015, Hawaii is the only state with a General Excise Tax on income of for-profit health care service providers. The western regional TRICARE managed care support contractor does not pay a similar tax in the other 20 states in this region. Even if the primary contractor changes next year, it is essential that the contractor be able to predict costs going forward.**

**Allowing the GET exemption to end would significantly increase costs for our service members. It is only fair to remove the sunset provision permanently to allow these costs to remain stable. There are major efforts to increase TRICARE fees for all participants; we should not impose this tax on the pass through funds that go from DOD to providers and insurers.**

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

GOODSILL ANDERSON QUINN & STIFEL

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**TO:** Representative Marcus R. Oshiro  
Chair, Committee on Finance  
*Via Capitol Web Page and Hand Delivery*

**FROM:** Gary M. Slovin

**DATE:** March 28, 2012

**RE:** **S.B. 2101, SD1, HD1 – Relating to the TRICARE Program**  
**Hearing Date: Wednesday, March 29, 2012 at 10:00 a.m., Agenda #1**  
**Conference Room 309**

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Dear Chair Oshiro and Members of the Committee on Finance:

I am Gary Slovin, testifying on behalf of TriWest Healthcare Alliance Inc. (“TriWest”), a Delaware corporation headquartered in Phoenix, Arizona. **TriWest supports S.B. 2101, SD1, HD1, Relating to the TRICARE Program**, which makes permanent the general excise tax exemption on 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 bill’s current effective date is July 1, 2012.

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”).

The House version of the bill is H.B. 1723, H.D.1 which sets a sunset date of December 31, 2015. We have requested that the Senate Committee on Ways and means accept the House version. H.B. 1723, H.D.1 has an effective date of July 1, 2012. TriWest supports the version of the bill set out in H.B. 1723, H.D.1 and would support the amendment of S.B. 2101, S.D.1, H.D.1 to conform to H.B. 1723, H.D.1.

We thank you for the opportunity to testify in support of this measure.