

STAND. COM. REP. NO.

626

Honolulu, Hawaii

**MAR 01 2013**

RE: S.B. No. 933  
S.D. 1

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2013  
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 933 entitled:

"A BILL FOR AN ACT RELATING TO THE TRICARE PROGRAM,"

begs leave to report as follows:

The purpose and intent of this measure is to extend the state general excise tax exclusion for the 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 for the administration of the TRICARE program.

Your Committee received testimony in support of this measure from The Chamber of Commerce of Hawaii and UnitedHealthcare Military & Veterans - Hawaii.

Your Committee received comments on this measure from the Department of Taxation and the Tax Foundation of Hawaii.

Your Committee finds that the TRICARE program is a federal government program that provides health care services to over nine million Americans, composed of active duty, reserve, and retired members of the United States uniformed services, their family members, and survivors, including approximately one hundred fifty thousand current and former service members and their family members who reside in Hawaii. The TRICARE program contracts with third-party administrators, known as "managed care support contractors," to establish and maintain networks of TRICARE-



authorized civilian health care providers in various regions of the United States. On behalf of the United States Department of Defense, managed care support contractors make advances to health care providers, including doctors, hospitals, and other providers, for costs of health care services provided to TRICARE beneficiaries. The United States Department of Defense reimburses managed care support contractors for the actual cost or advancement made to third-party health care providers.

Citing concerns that uncertainty existed about whether the amounts received by a managed care support contractor of the TRICARE program for the actual cost or advancement to third-party health care providers, on behalf of the federal government, were subject to the state general excise tax, the Legislature enacted Act 70, Session Laws of Hawaii 2009, to clarify that the amounts received by a managed care support contractor of the TRICARE program are not subject to the state general excise tax. This measure extends the general excise tax exclusion for an additional two years.

Your Committee has amended this measure by:

- (1) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (2) Making technical nonsubstantive amendments for the purposes of consistency, clarity, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 933, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 933, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,



DAVID Y. IGE, Chair



The Senate  
 Twenty-Seventh Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* <b>SB 933</b>	Committee Referral: <b>WAM</b>	Date: <b>2-27-13</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	✓			
KIDANI, Michelle N. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
ESPERO, Will	✓			
KAHELE, Gilbert	✓			
KEITH-AGARAN, Gilbert S.C.				✓
KOUCHI, Ronald D.	✓			
RUDERMAN, Russell E.	✓			
THIELEN, Laura H.	✓			
TOKUDA, Jill N.	✓			
SLOM, Sam	✓			
<b>TOTAL</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>1</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Michelle N. Kidani</i>				
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\*Only one measure per Record of Votes