



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 Health
Friday, February 1, 2013, 8:30 am, Room 329
HB1219 Relating to the TRICARE Program

Chair Bellati, Vice Chair Morikawa and Committee Members

Our chapter of 500 retired and currently serving officers of the Uniformed Services strongly supports HB 1219, extending the 2013 GET exclusion sunset to 2015 for TRICARE in Hawaii.

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

As we noted in 2012 testimony on SB 2101 extending the GET exemption 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. With a new primary contractor now providing the insurance, it is essential that the contractor be able to predict costs going forward. The Governor vetoed SB2101 on the mistaken assumption it was part of a series of GET tax exemptions passed earlier.

Ending the GET exemption would significantly increase costs for service members. It is only fair to at least extend the exemption to stabilize costs. There are efforts to increase participants' TRICARE fees. We should not impose this tax on the "pass through" funds going from DOD to providers and insurers. Our tax system generally does not tax this type of funding. Thank you for the opportunity to provide testimony on this important bill.

Testimony by Karl Kiyokawa
UHC, M&V, Vice President of Hawaii Market Operations
Support for HB 1219 (Bellati) – TRICARE Exemption

Good Morning Chair and Committee Members,

I am Karl Kiyokawa, Vice President of Hawaii Market Operations, testifying on behalf of UnitedHealthcare, Military & Veterans Services, a unit of UnitedHealth Group.

UHC, M&V was recently chosen to be the Managed Care Support contractor serving nearly 2.9 million TRICARE beneficiaries across the Western United States. The first year of operations is anticipated to begin April 1, 2013.

UnitedHealth Group is a diversified health and well-being company dedicated to helping people live healthier lives and making health care work better. Through its businesses, UnitedHealth Group serves more than 75 million people worldwide.

The purpose of HB 1219 is to extend the existing excise tax exclusion for a managed care support contractor of the TRICARE program for the actual cost of advancement to third party health care providers pursuant to the contract. In other words, UnitedHealthcare Military & Veterans will be making payments to health care providers on behalf of the Federal Government. We advance these funds only; this is not UnitedHealthcare revenue but a cost passthrough to health care providers.

The bill currently calls for an exclusion that would sunset on December 31, 2015, however, we believe that the Committee should consider, for consistency and planning purposes, making the exclusion permanent.

I am happy to answer any questions that the Committee might have.