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To: The Honorable David Y. Ige, Chair
and Members of the Senate Committee on Ways and Means

Date: Tuesday, February 26, 2013
Time: 10:00 a.m.
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. No. 933 Relating to the Tricare Program

The Department of Taxation (Department) supports the intent of S.B. 933 and provides the following comments for your consideration.

S.B. 933 extends the general excise tax exclusion for 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 measure is effective July 1, 2013

Tricare is a program established by the United States Department of Defense to provide managed medical care to military members and their dependents. Act 70, Session Laws of Hawaii 2009, provided an exemption to Tricare from the general excise tax on amounts received from the Department of Defense that are paid directly to third party service providers. The current measure, however, has a sunset date for the exemption of December 31, 2013; this measure extends the sunset of the exemption to December 31, 2015.

Thank you for the opportunity to provide comments.

LATE

**Testimony to the Senate Committee on Ways and Means
Tuesday, February 26, 2013
10:00 AM
Conference Room 211**

RE: SENATE BILL NO. 933, RELATING TO THE TRICARE PROGRAM

Chair Ige, Vice Chair Kidani, 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. 933**, Relating to The TRICARE Program.

The measure proposes to extend 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 14.7 billion dollar defense industry.

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

We recommend that the bill be approved.

Thank you very much for the opportunity to testify.



Date: February 25, 2013

To: Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair
Members of the Committee on Ways and Means

Fr: Karl Kiyokawa, VP UnitedHealthcare Military & Veterans – Hawai'i

Re: **SB 933 – Relating to the TRICARE Program**
Hearing February 26, 2012, 10:00 am, CR 211, State Capitol

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 SB 933 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 pass through 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.