



STATE OF HAWAII
DEPARTMENT OF HEALTH
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**Testimony in OPPOSITION to HB1187 HD1
RELATING TO DISPOSITION OF TAX REVENUES**

SENATOR JILL TOKUDA, CHAIR

SENATE COMMITTEE ON WAYS AND MEANS

Hearing Date: March 24, 2015

Room Number: 211

1 **Fiscal Implications:** Negative impact to the long-term financial viability of essential healthcare
2 and public health services.

3 **Department Testimony:** The Department of Health (DOH) respectfully opposes HB1187 HD1,
4 which establishes maximum annual deposit levels from cigarette tax revenue into special funds
5 supporting fundamental health infrastructure. What are at stake include:

- 6 • Trauma system – the expectation of Hawaii’s residents to have statewide access to the
7 best and most appropriate levels of trauma care for the most severe injuries and accidents;
- 8 • Emergency medical system – the confidence that an ambulance or other emergency
9 medical service will respond to a medical emergency in a timely manner;
- 10 • Community health centers – access to basic preventive health services, including
11 maternal and child health and geriatric care, for Hawaii’s most vulnerable populations;
12 and
- 13 • Cancer research – locally accessible clinical trials and research for Hawaii’s second
14 leading cause of death.

15 The long-term sustainability for these fundamental services is already under stress from
16 the combination of 1) declining cigarette tax revenue due to Hawaii’s successful tobacco control
17 policies (youth smoking is down 63%, 2001-2013, and adult smoking 32%, 2000-2013); and 2)
18 increasing medical inflation, which is approximately twice that of normal inflation (about 6.8%
19 in 2014). Limiting deposits from a revenue source that is steadily diminishing as costs rise
20 exacerbates financial stress and uncertainty.

1 Cigarette tax revenue offsets under-compensated and uncompensated care incurred by
2 public and private hospitals providing care through emergency rooms, counties providing
3 ambulance and other emergency medical vehicle response, and non-profit neighborhood
4 community health clinics delivering preventive services.

5 DOH acknowledges the Legislature's desire to improve revenue forecasting and special
6 fund oversight, but ongoing healthcare reform initiatives at the federal and state level that
7 address fundamental cost and quality control issues should be allowed to proceed prior to
8 enactment of additional financial constraints on these systems. The department respectfully
9 requests the deferral of HB1187 HD1.

10 **Offered Amendments:** N/A



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Written Testimony Presented Before the
Senate Committee on Ways and Means
Tuesday, March 24, 2015 at 9:00 am

By

Robert Bley-Vroman, Chancellor

And

Jerris Hedges, MD, MS, MMM

Dean, John A. Burns School of Medicine

Interim Director, University of Hawai'i Cancer Center

University of Hawai'i at Mānoa

HB 1187 HD1 – RELATING TO DISPOSITION OF TAX REVENUES

Chair Tokuda, Vice Chair Kouchi, and members of the committee:

It is important to recognize that the portion of cigarette tax revenue currently benefiting the Hawai'i Cancer Research Special Fund is specifically pledged towards revenue bonds that were sold to construct the University of Hawai'i Cancer Center (Cancer Center) in 2010. More than \$128 million in outstanding bonds still remains, much of which will not be fully paid until 2040. Also, the maximum annual debt service over the next 20+ years will annually be greater than the proposed \$14,100,000 limit. Limiting the revenue capacity by statute from cigarette taxes originally intended to support Cancer Center revenue bonds could be a significant negative credit rating impact to the outstanding bonds.

Further, capping the cigarette and tobacco tax funds diverts money away from programs that deal directly with cancer prevention and the effects of smoking on Hawai'i's underserved population. Since its inception, the cigarette and tobacco tax revenue has been used to support vital health care services in Hawai'i, including cancer research and prevention, the state trauma system, community health centers, and emergency medical services. If this bill were to pass, any increase in revenue from this tax, which was designed by the Legislature to enhance the health and well-being of the people of Hawai'i, would not directly benefit the intended programs; instead, any excess funds would escheat to the general fund. As a result, the agencies that provide these vital services would have to compete at the Legislature for additional general funds rather than moving toward stability and self-sufficiency. Some of the programs that would be negatively affected are listed below:

- Cancer Center - Critical recruitment of clinical investigators, and direct support of the Cancer Center facility and its operation (needed to provide community outreach and to house cancer research infrastructure);

- Trauma System - Support for the training of trauma team personnel in rural and neighbor island communities, and assessment of trauma programs to enhance outcomes in Hawai'i;
- Community Health Centers – Delivery of essential community based health care infrastructure in communities with the greatest need;
- Emergency Medical Services - Support of the training of EMS personnel in rural and neighbor island communities, and provision of standardized equipment for EMS providers across Hawai'i.

We respectfully ask that this bill be held.

Mahalo for this opportunity to testify.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TOBACCO, Disposition of revenue dollar limitations

BILL NUMBER: HB 1187, HD-1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: This bill would establish maximum dollar amounts of tobacco tax revenues to be deposited into each of the designated funds. If the legislature deems these program areas a priority, then a direct appropriation for these programs would increase transparency and accountability.

BRIEF SUMMARY: Amends HRS section 245-15 to provide that tobacco tax revenue shall be distributed in each fiscal year as follows: (1) ___ cents per cigarette but not more than \$___ million, shall be deposited into the Hawaii cancer research special fund; (2) ___ cents per cigarette but not more than \$___ million, shall be deposited into the trauma system special fund; (3) ___ cents per cigarette but not more than \$___ million, shall be deposited into the community health centers special fund; and (4) ___ cents per cigarette but not more than \$___ million, shall be deposited into the emergency medical services special fund.

EFFECTIVE DATE: July 1, 2015

STAFF COMMENTS: This measure would establish maximum dollar amounts of tobacco tax revenues to be distributed to the various special funds now being fed. It would, however, perpetuate the earmarking of tobacco tax revenues. As with any earmarking of revenues, the legislature will be giving their stamp of approval for the “automatic funding” mechanism for each of the programs into which the tobacco tax revenues are funneled. Through this system, monies are diverted into these funds without any legislative intervention, expenses from the funds largely avoid legislative scrutiny, and it will be difficult to ascertain the effectiveness of the programs funded. It would also be difficult to ascertain whether or not the fund has too little or too much revenue.

If the legislature deems the programs and purposes funded by tobacco tax revenues to be a high priority, then it should maintain the accountability for these funds by appropriating the funds as it does with other programs. Earmarking revenues merely absolves elected officials from setting priorities. If the money were appropriated, lawmakers could then evaluate the real or actual needs of each particular program.

Digested 3/20/15

Tuesday, March 24, 2015– 9:00 a.m.
Conference Room 211

The Senate Committee on Ways and Means

To: Senator Jill Tokuda, Chair
Senator Ronald Kouchi, Vice Chair

From: Michael Robinson
Hawai'i Pacific Health

Re: **HB 1187, HD1 Relating to Disposition of Tax Revenues**
Testimony in Opposition

My name is Michael Robinson, Executive Director of Government Relations & Community Partnerships for Hawai'i Pacific Health. Hawai'i Pacific Health is a not-for-profit health care system, and the state's largest health care provider and non-government employer. It is committed to providing the highest quality medical care and service to the people of Hawai'i and the Pacific Region through its four hospitals, more than 50 outpatient clinics and service sites, and over 1,600 affiliated physicians. Hawai'i Pacific Health's hospitals are Kapi'olani Medical Center for Women & Children, Pali Momi Medical Center, Straub Clinic & Hospital and Wilcox Memorial Hospital.

I am writing in opposition to HB 1187, HD1 which would establish caps on funding received from the cigarette and tobacco taxes. The cigarette tax revenue is needed to support vital health care services in the state, including the state trauma system, cancer research and prevention, community health centers, and emergency medical service. HB 1187 will compromise the sustainability of these important programs which provide broad support for the health of the people of Hawai'i.

Hawaii Pacific Health operates a level III trauma facility at Wilcox Memorial Hospital, and is in the process of obtaining a level III trauma designation for Pali Momi Medical Center.

Wilcox Memorial Hospital is a not-for-profit hospital dedicated to providing the Kaua'i community with accessible, quality health care. Wilcox is the largest medical facility on Kaua'i and has been recognized as one of the nation's best small hospitals. The Wilcox Memorial Hospital 20-bed Emergency Department is the first neighbor island facility to obtain a trauma level III designation (in 2011). It implemented a triage best practice, "rapid triage and immediate bed placement," to decrease door-to-bed and door-to-doc times, allow some patients to bypass the triage area, and let nurse assessment and ER physician evaluation occur simultaneously. This improves service, quality and safety. In fiscal year 2014, the Wilcox Emergency Department received 24,478 patients.

Pali Momi Medical Center is a not-for-profit hospital which opened in 1989 in Aiea, and has

was built by members of the community to fill an important need. Pali Momi provides charity care to patients in need of public health services and to patients in underserved areas. Currently Pali Momi is in the process of obtaining a level III trauma designation. This will enable the facility to provide much needed trauma care to our communities in Central and West Oahu.

The cap on cigarette and tobacco tax would have a negative impact on funding for trauma care. This impacts the hospitals' ability to provide trauma as well as health care to patients in need.

We respectfully ask that this measure be held.

Thank you for the opportunity to provide testimony.



HPCCA

HAWAII PRIMARY CARE ASSOCIATION

Senate Committee on Ways and Means

The Hon. Jill N. Tokuda, Chair

The Hon. Ronald D. Kouchi, Vice Chair

Testimony on House Bill 1187 HD 1

Relating to Disposition of Tax Revenues

Submitted by Nani Medeiros, Public Affairs and Policy Director

March 24, 2015, 9:00 am, Room 211

The Hawai'i Primary Care Association, which represents fourteen community health centers in Hawai'i, opposes House Bill 1187, setting a cap on disbursements from the cigarette tax.

The Hawaii Primary Care Association understands and supports the efficient use of government funds. As a non-profit entity, we fully believe in and comply with all regulations that are required for public funding. However, the HPCCA has critical concerns about the proposed language changes in House Bill 1187.

The bill as written imposes a cap on monies deposited into, among other, the community health center special fund. That fund's only source of revenue is a dedicated portion of cigarette tax revenues. Prior to the creation of the special fund, funding was also made available through a general fund line item in the Department of Health's budget. While our intent in advocating for the creation of our special fund was to provide dedicated funding to expand capacity and infrastructure at community health centers, the State made the decision to use the special fund monies to supplant our general fund line item.

We welcome the consideration of the legislature to restore funding to community health centers in the Department of Health's budget. However we cannot support a measure that threatens to diminish a vital source of funding to provide care in Hawaii.

Please protect funding for Hawaii's community health centers and the underserved, uninsured, low-income populations that we serve. We urge you to take these concerns into consideration and make appropriate amendments. Thank you for the opportunity to testify.



THE QUEEN'S HEALTH SYSTEMS

To: Chair Jill N. Tokuda
Vice Chair Ronald D. Kouchi
Senate Committee on Ways and Means

From: Paula Yoshioka
Senior Vice President
The Queen's Health Systems

Re: HB 1187 HD 1, Relating to Disposition of Tax Revenues
Hearing—March 24, 2015 at 9:00 AM

The Queen's Health Systems is opposed to HB 1187 HD 1, which would cap outlays to certain special funds, including the:

- Hawaii cancer research special fund;
- Trauma system special fund;
- Community health centers special fund; and the
- Emergency medical services special fund.

We are concerned that this legislation would harm the health and welfare of the community by limiting resources for programs that are beneficial for every resident. While we understand the pressure our lawmakers face in addressing the state's financial and budgetary outlook, this legislation seems to create a false dilemma between funding essential programs or not.

We would also like to note that while the outlays from transient accommodations tax have caps, the special funds supported by that tax are categorically dissimilar. The special funds named in this legislation have a real and direct impact on the health and welfare of our state.

This legislation would potentially limit the ability of a wide variety of providers to provide critical benefits to the Hawaii community as a whole, and we would ask that you defer this legislation. Thank you for your time and consideration of this matter, and for providing us the opportunity to comment on the immense importance of maintaining the current outlays for the special funds named above.

The mission of The Queen's Health Systems is to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawai'i.