

Honolulu, Hawaii

FEB 14 , 2020

RE: H.B. No. 2235
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii

Sir:

Your Committee on Health, to which was referred H.B. No. 2235
entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to help ensure access to
health care for Medicaid or Medicare patients by establishing an
income tax credit for qualified physicians who accept these
patients.

Your Committee received testimony in support of this measure
from the Office of the Mayor of the County of Hawai'i, Hawaii
Medical Association, and three individuals. Your Committee
received comments on this measure from the Department of Taxation
and Hawaii Disability Rights Center.

Your Committee finds that Medicare and Medicaid operate below
the costs of providing service. This makes it extremely difficult
for physicians to manage practices in the Hawaii market, where
costs are extremely high, and particularly in rural areas with a
high proportion of Medicare and Medicaid patients. According to
testimony received by your Committee, the biggest obstacles to
practicing medicine in Hawaii are the high costs of living and
conducting business and the low payment for service rates.



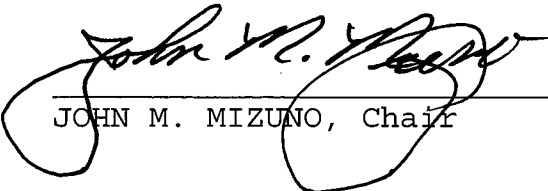
Your Committee finds that an income tax credit for merely accepting Medicare and Medicaid patients may not be a sufficient incentive to ensure these patients receive medical treatment. A more appropriate incentive may be to provide an exemption from the general excise tax for amounts received from providing treatment to Medicare and Medicaid patients, and requests the Department of Taxation to provide an estimate of the fiscal impact of such an exemption. Additionally, your Committee has heard the concerns of the Department of Taxation that disclosure by a physician that a patient is a Medicare or Medicaid patient may be a violation of the federal Health Insurance Portability and Accountability Act.

Your Committee has amended this measure by:

- (1) Creating a general excise tax exemption for gross proceeds arising from medical services provided by qualified physicians to Medicare and Medicaid patients, rather than an income tax credit for qualified physicians who accept Medicare and Medicaid patients;
- (2) Removing requirements that the Department of Taxation develop forms and adopt any rules necessary to allow a taxpayer to claim the proposed income tax credit;
- (3) Changing the effective date to taxable years beginning after July 1, 2050, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Health that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2235, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2235, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Health,



JOHN M. MIZUNO, Chair



