

**DAVID Y. IGE**  
GOVERNOR

**JOSH GREEN M.D.**  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
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**RONA M. SUZUKI**  
DIRECTOR OF TAXATION

**DAMIEN A. ELEFANTE**  
DEPUTY DIRECTOR

To: The Honorable John M. Mizuno, Chair;  
The Honorable Bertrand Kobayashi, Vice Chair;  
and Members of the House Committee on Health

From: Rona M. Suzuki, Director  
Department of Taxation

**Re: H.B. 2228, Relating to the General Excise Tax Exemptions**

Date: Thursday, February 13, 2020

Time: 9:00 A.M.

Place: Conference Room 329, State Capitol

The Department of Taxation (Department) appreciates the intent of H.B. 2228 and offers the following comments.

H.B. 2228 adds a new section to chapter 237, Hawaii Revised Statutes (HRS), exempting “all of the gross proceeds arising from medical services provided by physicians and advanced practice registered nurses acting in the capacity as a primary care provider” from the general excise tax (GET). The measure defines “medical services” provided by physicians and advanced practice registered nurses to include those services provided within hospitals, medical clinics, and private medical practices that are performed by licensed practitioners that are rendered under chapter 453, HRS. The measure takes effect on July 1, 2020.

The Department is able to administer the bill as written, but respectfully requests that any changes to the GET be made effective for gross receipts received on or after January 1, 2021. This will allow sufficient time to make the necessary form and computer system modifications.

Thank you for the opportunity to provide comments.

Harry Kim  
Mayor



Roy Takemoto  
Managing Director

Barbara J. Kossow  
Deputy Managing Director

## County of Hawai'i Office of the Mayor

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KONA: 74-5044 Ane Keohokālole Hwy., Bldg C • Kailua-Kona, Hawai'i 96740  
(808) 323-4444 • Fax (808) 323-4440

February 11, 2020

Representative John M. Mizuno, Chair  
Representative Bertrand Kobayashi, Vice Chair  
Committee on Health

Dear Chair Mizuno, Vice Chair Kobayashi, and Committee Members:

**RE: HB 2228 Relating to the General Excise Tax Exemptions  
HB 2235 Relating to Taxation**

Thank you for this opportunity to testify again on a crucial issue facing our State.

"Making Hawai'i a nice place to live" is simple to say, and almost too obvious a goal to highlight, but nevertheless that phrase sums up the most important task facing our elected community leaders. For this reason alone, I want to thank and praise any effort to deal with one of the most critical issues that we must confront, and that is the crisis in our healthcare system caused by our healthcare provider shortage.

We are justly proud of the Hawai'i Prepaid Healthcare Act, but how valuable is insurance if you cannot find a provider? How can we expect our people, especially our aging population, to live comfortably, if they believe that quality healthcare is only available if they have the time and ability to travel to the mainland? How can we attract more providers when they realize that they will be expected to work extraordinary hours because there is not a reasonable number of other providers to share the burden?

And the ramifications are important, too. To what extent do we limit our primary economic driver, tourism, when visitors are warned "Don't get sick in Hawai'i"?

I am not smart enough to know how to entirely solve our provider shortage. However, I am told, and do believe, that eliminating the General Excise Tax on healthcare services would be a very positive step in improving the economics for healthcare providers, thereby encouraging existing providers to stay in practice and enticing new providers to join us.

Likewise, providing a tax credit for those physicians who accept Medicare and Medicaid would surely be welcomed.

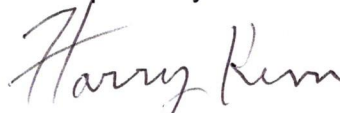
February 11, 2020

Page 2

When I testified before your committee in favor of HB 138, I noted that I try to use the word "provider" because, in truth, our healthcare crisis goes beyond our physician shortage. For that reason, HB 2228 is the preferred approach if it is not too expensive, because it would create a general excise tax exemption for medical services provided both by physicians and by advanced practice registered nurses acting in the capacity of primary care provider. It seems to me that broadening the exemption to APRNs is a sensible way to go, if the State is able to absorb the initial additional loss of revenue ("initial" because most or all of the loss would be offset as the higher earnings of the APRNs are spent and circulate through the community, generating new tax revenue).

I support both HB 2228 and HB 2235 and thank you again for addressing our healthcare dilemma.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Harry Kim".

Harry Kim  
MAYOR

**HB-2228**

Submitted on: 2/10/2020 10:04:37 PM

Testimony for HLT on 2/13/2020 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
John Lauris Wade MD	Hawaii Radiologic Society. Hawaii Physician Shortage Crisis Task Force.	Support	No

Comments:

I am here to testify on behalf of the Hawaii Radiologic Society and the Hawaii Physician Shortage Crisis Task Force. These two groups, representing several hundred Hawaii Physicians, are strongly in favor of House Bill 2228, the Companion to Senate Bill 2542 and its provision of a General Excise Tax exemption for Physicians and Advanced Practice Registered Nurses.

In previous testimony I quoted President John F. Kennedy.

**“There are risks and costs to action. But they are far less than the long range risks of comfortable inaction.”**

In broadening application of a General Excise Tax Exemption to Advanced Practice Registered Nurses and Physicians, HB2228/SB2542 is the State of Hawaii’s most direct approach to addressing workforce shortages among Physicians and APRNS. The risk and costs amount to a perceived revenue impact. The longterm risk of comfortable inaction is a the complete breakdown of healthcare access.

In 2008, anecdotal reports of a doctor shortage on the Big Island had been circulating for years. A study performed in 2009 pegged the physician shortage at 15%.

Since that time, the Hawai’i Physician Workforce Assessment Project has been performed annually and the statewide shortage has increased to 820 Doctors. The Neighbor Island shortages are the most severe and measure 32% in Kauai County, 36% in Maui County and a full 44% in Hawaii County. Since 2008, the Big Island Physician shortage has tripled. Neighbor Island Healthcare is hallowed out. If a pandemic such as Corona virus were to take out a third of the Big Islands Physician, even if only temporary, the Big Island Shortage would rapidly approach 66%. Hawaii’s Healthcare Access Margin of Error is exceedingly small.

That said, a slower moving disaster is imminent. Nearly 1/3 of Big Island Physicians are age 65 or older. Hawai’i has the second oldest set of physicians in the nation. A large number of these older physicians will soon retire.

The General Excise Tax as applied to Medical Services results in Medicare reimbursement that is the worst in the nation. Adjusted for cost of living, HI physician wages are the third worst in the country and that is only because they work so hard. As such Hawai'i medical practices are having difficulties surviving, much less recruiting and retaining new physicians.

A quote of President Franklin Delano Roosevelt is now apt.

**“The Only Thing We Have to Fear Is Fear Itself.”**

Forgive a few statistics.

The 2020 Annual Report on Findings from the Hawai'i Physician Workforce Assessment Project pegs the Physician workforce shortage at 820.

The 2018 American Medical Association study on the National Economic Impact of Physicians indicates every Physician in the U.S. generates an average \$3,166,901 in aggregate economic output, 17 new jobs, \$1,417,958 in total wages and benefits and \$126,129 in state and local tax revenues. I repeat \$126,129 in state and local tax revenues.

As such 820 new doctors in Hawaii could reasonably be expected to generate \$2.6 billion in aggregate economic output, 13,940 new jobs, \$1.1 billion in wages and benefits, and \$100 million in state and local tax revenue.

The US Department of Commerce, Bureau of Economic Analysis has released figures that peg Wages and Proprietor Income for Offices of Hawaii Physicians at 1.1 Billion dollars. With the State GET of 4%, this indicates an approximate cost to the State of \$44 million. That figure is less than half of the anticipated state and local tax revenue that would be generated by creating an environment that would attract 820 new Physicians.

As such, it can be said that HB2228/SB2542 would pay for itself with a fairly wide margin for error.

There is little to fear.

Thank you for your consideration.

**HB-2228**

Submitted on: 2/11/2020 6:03:51 PM

Testimony for HLT on 2/13/2020 9:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Scott Grosskreutz, M.D.	Hawaii Radiological Society	Support	No

Comments:

Hawaii has a statewide critical shortage of physicians, estimated at 820 currently. The shortage of APRNs statewide is estimated at 500. The Big Island has a 44% shortage of 231 doctors. We estimate this shortage worsening to 440 doctors by 2040, as Hawaii County's population is projected to increase to 310,000. Currently many local students leave Hawaii for medical school or residency, never to return. Therefore new solutions must be considered to solve our healthcare access crisis. Currently due to the high costs of providing medical services, low levels of reimbursements and high levels of taxation, starting a private practice in Hawaii is unattractive to many new doctors. Many medical practices operate on razor thin margins, especially for treating Medicare and Medicaid patients.

The 4.7% GET and County surcharges on gross practice revenues often strip away any profit margin, and place many private practice budgets in the red. This results in doctors leaving Hawaii and closing their practice. Hawaii's hospitals and hospital employed physicians are already exempt from the GET. Taxing our struggling hospitals, with their narrow profit margins with the GET would place nearly every Hawaii hospital in the red and resulting in closure or reduction of services. Already several major hospital systems are losing tens of millions of dollars annually. If taxing hospital employed doctors is recognized as being highly detrimental to healthcare access, how can taxing private practice providers make any sense?!

No other U.S. state taxes healthcare benefits to this extent or degree. Hawaii's unique GET tax is a regressive tax, often paid by sick and injured patients struggling with finances and unable to work. When this tax is absorbed by doctors and other providers, it frequently is a practice killer. it is likely that by making private practice of medicine in Hawaii increasingly unsustainable, the GET actually lowers the overall amount of tax revenue that would be raised if Hawaii could successfully recruit the 820 needed physicians. According to a AMA study, each physician's medical practice results in over

3 million in increased economic activity, provides an estimated 17 jobs in the community and increases state and local tax revenues by \$126,000.

Doctors trained in the U.S. typically have educational debt in the hundreds of thousands of dollars. I would love for my daughter and son-in-law, both in residency training on the mainland, to practice in Hawaii. But with \$400,000 of debt between them, they would have to choose between buying a home or paying their loans in Hawaii, with our local levels of reimbursement. But we must recruit new doctors to avoid a worsening access to healthcare crisis. Hawaii has the second oldest physician workforce in the U.S.. On Hawaii Island, a third of practicing doctors are age 65 or older, and often forgoing retirement, as there are no new providers to care for their patients.

The result is a severe crisis with access to healthcare on Hawaii Island, with many patients without a primary care provider going to the hospital ER for even routine healthcare. Our healthcare delivery is already severely strained. The addition of any healthcare crisis, such as coping with an epidemic would likely exceed our current resources.

The timeframe to address these challenge is now, this session. Thank you to our Big Island Representatives and Senators, especially Senator Inouye and, Mayor Kim for their strong support to address this crisis! Mahalo Nui Loa as well to Senator Baker and Rep. Mizuno for introducing bills on GET exemption for healthcare.

The severe provider shortage includes both primary care and medical specialists, so it is critical that the GET exemption language include all physician and primary care doctors and APRNs..



## **HAWAII MEDICAL ASSOCIATION**

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### HOUSE COMMITTEE ON HEALTH

Rep. John Mizuno, Chair

Rep. Bertrand Kobayashi, Vice Chair

Date: February 13, 2020

Time: 9:00 a.m.

Place: Conference Room 329

From: Hawaii Medical Association

Elizabeth A. Ignacio, MD, Chair, Legislative Committee

Christopher Flanders, DO, Executive Director

### **Re: HB2228 - Relating to the General Excise Tax Exemptions**

#### **Position: STRONG SUPPORT**

The Hawaii Medical Association strongly supports the exemption of medical services from the General Excise Tax. Given the current extreme physician shortage, collection of the GET from physicians is compounding an already tenuous financial position medical practices hold in Hawaii. This is the only state in the nation that taxes medical care in this way. In that roughly 65% of gross revenue collections go to paying overhead, the 4.5% GET accounts for an additional 13% tax on a physician net practice revenue. This can essentially eliminate the ability to maintain a viable practice, particularly in rural areas with a high proportion of Medicare and Medicaid, the GET costs of which cannot be passed on to patients.

We would like to point out that, given the extreme shortage of physicians in some areas of the state, many physicians with specialty credentials also provide primary care services to patients. It will be problematic to delineate “primary care” services for purposes of the exemption.

Continued discussions between physician candidates, recruiters and the HMA reveal that the two biggest obstacles to practice in Hawaii are the high cost of living and conducting business and the low payment for service rates, of which the GET is a part. In that Hawaii is the only state that taxes medical care gross revenue, the GET renders Hawaii non-competitive in the physician market. This disparity should not be allowed to stand.

Thank you for allowing the Hawaii Medical Association to testify on this issue.

#### **HMA OFFICERS**

President – Michael Champion, MD President-Elect – Angela Pratt, MD Secretary – Thomas Kosasa, MD

Immediate Past President – Jerry Van Meter, MD Treasurer – Elizabeth A. Ignacio, MD

Executive Director – Christopher Flanders, DO





**February 12, 2020**

**To: House of Representatives  
Thirtieth Legislature, 2020  
State of Hawai'i**

**From: East Hawaii Independent Physicians Association Board of Directors**

**Subject: Support for HB2228**

We represent 50 independent physicians on Hawai'i Island delivering care to over 50,000 unique patient lives. The increasing GET and County surcharges are stripping away the small profit margins for our private medical practices. This has contributed to our severe doctor shortage compounded by the fact that Hawai'i has the lowest percentage of providers accepting Medicare in all 50 states. Hawai'i has a larger percentage of providers in private practices in the nation, and it is important that the private practice of Medicine remain sustainable for our 'ohana. Almost all of our member physicians on Hawai'i Island are small, independent private clinics. Our community risks losing these physicians as their operations become financially unsustainable. Our membership listed below urges you to pass HB2228 into law.

Carlos Abeyta MD  
Melanie Arakaki MD  
Gabriele Barthlen MD  
Daniel Belcher MD  
Brenda Camacho MD  
Pradeepta Chowdhury MD  
Darrett Choy MD  
Shallon Craddock MD  
Joseph D'Angelo MD  
John Dawson MD  
Ty de Silva MD  
Alan De Silva MD  
Lynda Dolan MD  
Daniel Driscoll MD  
Matthew Dykema DO  
Buddy Festerling MD

Sheareen Gedayloo MD  
Jon Gerdson MD  
Carlos Gonzales MD  
Lynda Hirakami APRN  
David Jung MD  
Erin Kalua MD  
Olivia Kaponu MD  
Young-Rhan Kim MD  
Roy Koga MD  
Kevin Kurohara MD  
Richard Lee-Ching MD  
Don Matsuura MD  
Peter Matsuura MD  
Wanda Meurs MD  
Michael Miyashiro MD  
Aaron Morita MD

David Nakamura MD  
Eugene Ng MD  
Thu Nguyen MD  
Kara Okahara MD  
Douglas Olsen MD  
Maria-Stella Perlas MD  
Heajung Ruesing MD  
Michael Russo MD  
Syuck Ki Saito MD  
GinaMarie Salcedo MD  
Craig Shikuma MD  
Santad Sira MD  
Sydney Tatsuno MD  
Brian Wilson MD  
Gaku Yamaguchi MD  
Douglas Yamashita MD

**CC: Susan Mochizuki, Executive Director**



Feb. 13, 2020

9:00 a.m.

Conference Room 329

**To: House Committee on Health**  
**Rep. John M. Mizuno, Chair**  
**Rep. Bertrand Kobayashi, Vice Chair**

**From: Grassroot Institute of Hawaii**  
**Joe Kent, Executive Vice President**

RE: HB 2228 — RELATING TO THE GENERAL EXCISE TAX EXEMPTIONS

***Comments Only***

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on HB2228, which would provide a general excise tax exemption for medical services provided by physicians and advanced practice registered nurses acting in the capacity of a primary care provider.

It is well established that Hawaii is currently suffering from a doctor shortage. A recent study estimated that Hawaii is currently “short” by approximately 820 physicians — an increase over the previous year and an indication that lack of access to healthcare is a worsening problem in our state.

Luring new doctors to Hawaii — and keeping those who are already here — is a complicated proposition. Many proposals would take years to demonstrate success in addressing the issue. In the meantime, Hawaii residents will continue to suffer from the shortage of available medical professionals and the high cost of healthcare in our state.

There is, however, a more immediate way to make Hawaii more attractive to physicians: Create a general excise tax exemption for medical services.

Hawaii is one of the few states to levy a form of sales tax on medical services, and the form of that tax — the general excise tax — eats into the margin of the typical Hawaii physician’s office. If the doctor chooses not to pass on any of that tax burden to his patients, he or she risks

running an unprofitable practice. If the tax is passed on, then the doctor is contributing to higher medical costs. Under the circumstances, it is no surprise that some doctors choose not to practice in the state at all.

According to a study commissioned by the Grassroot Institute of Hawaii, exempting medical services from the excise tax would help make medicine more affordable in the state for both doctors and residents.<sup>1</sup>

Healthcare spending for medical services in Hawaii totals about \$9 billion, of which the for-profit private sector accounts for \$5 billion. An exemption from the state's 4 percent GET would save private, for-profit medical providers approximately \$200 million. Waiving the GET surcharges imposed by the counties would save an additional \$22 million more.

This represents substantial savings for individual practices. According to the Grassroot Institute study, the savings from that base 4 percent GET exemption would be about \$5,275 each for the approximately 38,000 full-time workers in the medical industry. That's the equivalent to 6.7% of the average medical service worker's wage and 5.8% of current GET collections. Even if the exemption were applied selectively to only areas deemed to have acute shortages, the savings would be \$72 million, or about \$1,920 per for-profit medical service worker in the state. Exempting only private practice doctors would still result in a savings of \$78.9 million for physicians and patients.

But there are more advantages to the GET exemption than just saving money for doctors and patients. It could also help address the doctor shortage.

For example, if the GET exemption led an additional 820 physicians to set up shop in the state, it would result in an increase of almost 4,000 full-time positions in the industry, 4,000 additional supplier and induced jobs, \$1.4 billion in additional economic activity and about \$67.3 million in taxes — more than one-third of the cost of the tax cut.

It is common practice for the state to use GET exemptions to encourage or aid certain industries. Already, Hawaii exempts petroleum refining, aircraft maintenance and leasing, and orchards from the GET. As we point out in our report, "This means that the state of Hawaii uses its tax code to encourage the development of orchards, but discourage the provision of medical care."

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<sup>1</sup> "How the state GET affects healthcare costs in Hawaii," Grassroot Institute of Hawaii, January 2020,

[www.grassrootinstitute.org/wp-content/uploads/2020/01/How-the-state-GET-affects-health-care-costs-in-Hawaii.pdf](http://www.grassrootinstitute.org/wp-content/uploads/2020/01/How-the-state-GET-affects-health-care-costs-in-Hawaii.pdf)

State policymakers are rightly concerned with both making healthcare more affordable and addressing the shortage of medical professionals in Hawaii. By creating an general excise tax exemption for medical services, there is an opportunity to help both patients and doctors by making Hawaii a more attractive — and less expensive — place to practice medicine.

Thank you for the opportunity to submit our comments.

Sincerely,  
Joe Kent  
Executive Vice President, Grassroot Institute of Hawaii



Feb. 13, 2020  
9:00 a.m.  
Conference Room 329

**To: House Committee on Health**  
**Rep. John M. Mizuno, Chair**  
**Rep. Bertrand Kobayashi, Vice Chair**

**From: Grassroot Institute of Hawaii**  
**Joe Kent, Executive Vice President**

RE: HB 2228 — RELATING TO THE GENERAL EXCISE TAX EXEMPTIONS  
***Comments Only***

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It is well established that Hawaii is currently suffering from a doctor shortage. A recent study estimated that Hawaii is currently “short” by approximately 820 physicians — an increase over the previous year and an indication that lack of access to healthcare is a worsening problem in our state.

Luring new doctors to Hawaii — and keeping those who are already here — is a complicated proposition. Many proposals would take years to demonstrate success in addressing the issue. In the meantime, Hawaii residents will continue to suffer from the shortage of available medical professionals and the high cost of healthcare in our state.

There is, however, a more immediate way to make Hawaii more attractive to physicians: Create a general excise tax exemption for medical services.

Hawaii is one of the few states to levy a form of sales tax on medical services, and the form of that tax — the general excise tax — eats into the margin of the typical Hawaii physician’s office. If the doctor chooses not to pass on any of that tax burden to his patients, he or she risks

running an unprofitable practice. If the tax is passed on, then the doctor is contributing to higher medical costs. Under the circumstances, it is no surprise that some doctors choose not to practice in the state at all.

According to a study commissioned by the Grassroot Institute of Hawaii, exempting medical services from the excise tax would help make medicine more affordable in the state for both doctors and residents.<sup>1</sup>

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For example, if the GET exemption led an additional 820 physicians to set up shop in the state, it would result in an increase of almost 4,000 full-time positions in the industry, 4,000 additional supplier and induced jobs, \$1.4 billion in additional economic activity and about \$67.3 million in taxes — more than one-third of the cost of the tax cut.

It is common practice for the state to use GET exemptions to encourage or aid certain industries. Already, Hawaii exempts petroleum refining, aircraft maintenance and leasing, and orchards from the GET. As we point out in our report, "This means that the state of Hawaii uses its tax code to encourage the development of orchards, but discourage the provision of medical care."

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State policymakers are rightly concerned with both making healthcare more affordable and addressing the shortage of medical professionals in Hawaii. By creating an general excise tax exemption for medical services, there is an opportunity to help both patients and doctors by making Hawaii a more attractive — and less expensive — place to practice medicine.

Thank you for the opportunity to submit our comments.

Sincerely,  
Joe Kent  
Executive Vice President, Grassroot Institute of Hawaii

**HB-2228**

Submitted on: 2/12/2020 4:40:44 AM

Testimony for HLT on 2/13/2020 9:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Craig Thomas	Hawaii Emergency Physicians Associated	Support	No

Comments:

Our organization provides Board Certified Emergency Physicians at multiple rural facilities statewide. This tax exemption will help provide compensation competitive with mainland positions.

We have recruited continuously for the past 20 years.....

Craig Thomas, HEPA President





January 31, 2020

Representative John Mizuno  
Chair, House Committee on Health

Representative Bertrand Kobayashi  
Vice Chair, House Committee on Health

HB2228: Relating to the General Excise Tax Exemptions

Testimony in **SUPPORT with amendments**

On behalf of our 152 emergency physician members living and working on all islands of Hawaii, I am writing in support of HB2228.

Hawaii's critical physician shortage is well documented. Hospitals and hospital employed physicians are already excluded from the GET. An exemption from the GET for physicians in nurse practitioners in private practice is fair and holds an opportunity to help improve access to care for our communities.

**We ask that the GET exemption apply to physicians and nurse practitioners of all specialties.** While the lack of primary care providers in Hawaii is incredibly important to address, so is the shortage of specialist physicians throughout the state.

Aloha

A handwritten signature in blue ink, appearing to read "W. Scruggs".

William Scruggs, MD  
President-Elect, Hawaii College of Emergency Physicians  
Chief of Staff, Adventist Health Castle

**HB-2228**

Submitted on: 2/10/2020 7:48:57 PM

Testimony for HLT on 2/13/2020 9:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Margaret Maupin	Individual	Support	No

Comments:

**HB-2228**

Submitted on: 2/10/2020 8:37:31 PM

Testimony for HLT on 2/13/2020 9:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Erin Capps	Individual	Support	No

Comments:

I am writing in strong support of this measure. Hawaii faces a severe shortage of doctors. A quarter of our practicing physicians are age 65 or older and about half are over age 50. As a member of a private physician practice in Hawaii, I understand the unique challenges in recruiting and retaining physicians to serve our communities and patients. Unfortunately, we are losing our physicians to other states, due to the high cost of operating a practice and high cost of living in Hawaii, combined with higher tax burden and lower reimbursement than other states across the nation. I urge you to consider this measure, as a strong step in addressing the current and future doctor shortfall in our state. An exemption from the GET tax is necessary to make medical practices fiscally viable in the state of Hawaii.

Thank you for your consideration,

Erin Capps MD

Kelley Withy, MD, PhD

February 11, 2020

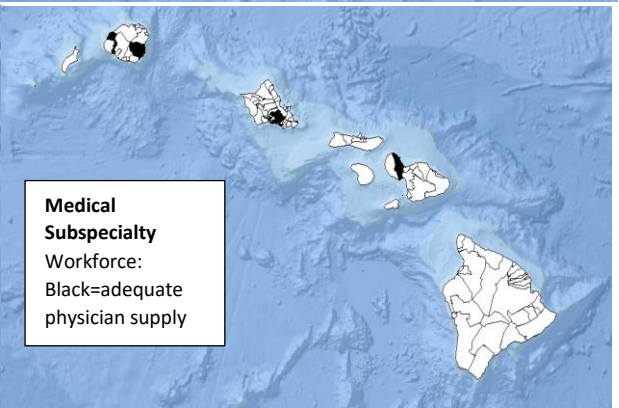
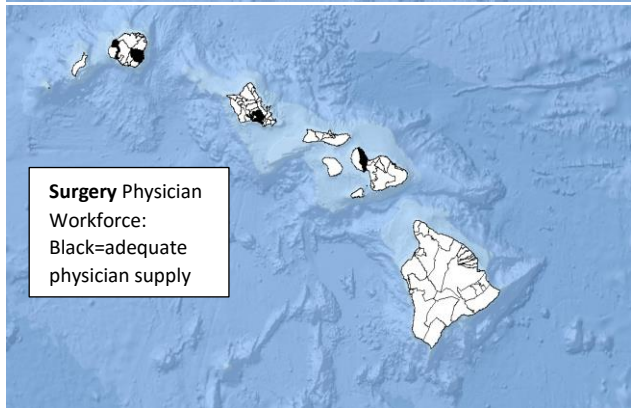
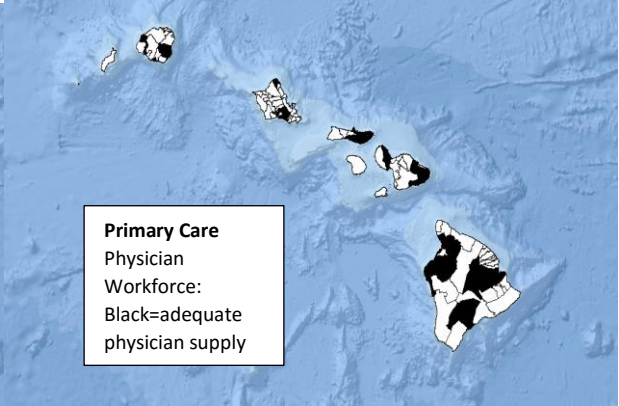
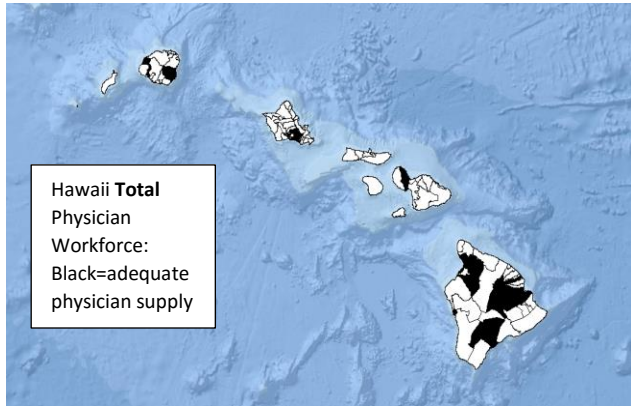
RE: HB2228 In Support

Dear Chair Mizuno, Vice Chair Kobayashi and Committee Members,

As you have heard my say many times, we have a severe shortage of physicians, as well as nurse practitioners, physician assistants and almost all types of healthcare professionals and providers. There are many reasons for this, but the number one reason is high cost of living and low pay. For physicians with private offices, it is very difficult to make ends meet. I know it sounds funny to say that doctors are not making much money, BUT IT'S TRUE. We have dozens of solo and small practice owners in Hawaii who have told me that they may have to close their practices because of the high overhead and low reimbursement. Unfortunately I have watched many practices do just that. This includes primary care, surgery and specialty care.

Some people say, "That's okay, they should close their medical practice and work for a larger medical group, it's more efficient." BUT, what if there is no large medical group in their area? If they close their office, then there is NOBODY to help the patients in that area. At the end of this letter I provide maps of where the shortages are in Hawaii, and to my eye it looks like the greatest shortages and biggest needs are where we have less representation from large medical groups. Therefore we must help the small and solo practices survive.

I applaud your efforts in introducing this bill, because it will eliminate the double tax on doctors taking care of Medicare patients. My understanding is that the GET is charged on all good and services. Therefore it is charged on all supplies, rent and employees a doctor pays. Then, when a doctor supplies services, s/he has to charge excise tax on that service. BUT, Medicare and Medicaid/MedQuest won't let any doctor charge more than the accepted rate. So the doctor can't charge the tax and absorbs that cost (pays it him/herself). I believe that hospitals and hospital clinics are exempt from this, so I believe that small and solo practices should be exempted too, as they are suffering. We need to keep these practices open to care for the patients in Hawaii!



TO: Members of the Committee on Health

FROM: Natalie Iwasa  
808-395-3233

HEARING: 9:00 a.m. Thursday, February 13, 2020

SUBJECT: HB 2228 Exempt Medical Services from GET - **SUPPORT**

Aloha Chair and Committee Members,

Thank you for allowing me the opportunity to provide testimony on HB 2228, which would exempt certain medical services from the general excise tax (GET).

Health insurance companies do not cover GET, so patients bear the cost. I have long believed it is wrong to tax medical services. Please vote "yes" on HB 2228.

February 10, 2020

To: The Honorable John M. Mizuno, Chair;

The Honorable Betrand Kobayashi, Vice Chair;

Members of the House Committee on Health

From: Edwin Muranaka, M.D.

Re: H.B. 2228 Relating to The General Excise Tax Exemptions

First, I would like to thank you for your consideration of an issue that affects every individual and household in our state. We have been extremely fortunate to have elected leaders who carry on a strong record and tradition of supporting our residents and our communities to make Hawaii the paradise it is. Unfortunately, the reality of a “paradise tax” does exist and its toll is a burden to many, if not most of our residents. According to The State of Hawaii Data Book 2018, Table 13.39 Personal consumption expenditures per capita for the US average, the cost per capita in personal consumption in Hawaii was \$46,071 in 2017, 12.7% more than the US average of \$40,878. With the introduction of SB 2413, you again seek to restore more balance in the fairness, necessity, and responsibility of our taxes.

Representative Takamine and his colleagues had the insight and courage to assure Hawaii’s workers of affordable health care through the Hawaii Prepaid Health Care Act of 1974, HRS 393. They wrote, “It is the purpose of this chapter in view of the spiraling cost of comprehensive medical care to provide this type of protection for the employees in this State.” And they were the first in the nation to do so. The cost of health care for our residents continues to rise faster than cost of living with increasing deductibles and non-eligible charges. In addition, the state excise tax has increased from 4.1666 to 4.712 on Oahu, Kauai, and Hawaii, becoming even more repressive due to its global applications to most families, and with an unlikely hope that it will decrease in 2030. According to the State of Hawaii Data Book 2018, Table 13.38 Personal Consumption Expenditures per capita by Major Type of Product, in 2017 Hawaii household paid \$6,905 for health care out of \$46,071 and \$4,081 for food & beverages purchased for off-premises consumption. Only housing and utilities, \$9,847, cost more.

There are concerns that the tax revenue implications might be substantial. Similar concerns were probably argued when the varied exemptions to HRS 237 were passed. For example, S23724 Additional amounts not taxable: Operator of a hotel or time share, exchange, financial institutions, operator of orchard properties, nursing facility, management company in the business of selling interstate or foreign common carrier telecommunications services, prescription drugs, prosthetic device, professional employer organization, community organizations, loading or unloading of cargo, fraternal benefit

societies, business leagues, hospitals, boards of trade, trust companies, financial corporations acting as interbank brokers, certain petroleum refiners, insurance companies, certified or approved housing projects, call centers, aircraft service and maintenance facility, and others. The revenue implications have been resolved before, and I am certain are in capable hands of being resolved now.

Though we no longer lead the nation in healthcare initiatives, we can follow their lead and remove the burden of a regressive tax on health care. There is a need to exempt health care services from the general excise tax. There is a fairness based upon the precedents established in the general excise tax exemptions already given. There is a responsibility to residents who bear an enormous tax burden that continues to increase.

Thank you for allowing this opportunity to offer testimony regarding H.B. 2228.

Respectfully,

Edwin Muranaka