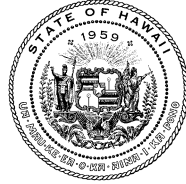


DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LT. GOVERNOR



RONA M. SUZUKI  
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE  
DEPUTY DIRECTOR

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
Phone: (808) 587-1540 / Fax: (808) 587-1560  
Email: Tax.Directors.Office@hawaii.gov

To: The Honorable Rosalyn H. Baker, Chair;  
The Honorable Stanley Chang, Vice Chair;  
and Members of the Senate Committee on Commerce, Consumer Protection, and Health

From: Rona M. Suzuki, Director  
Department of Taxation

Re: **S.B. 2327, Relating to the General Excise Tax Exemptions**

Date: Wednesday, January 29, 2020

Time: 9:30 A.M.

Place: Conference Room 229, State Capitol

The Department of Taxation (Department) supports the intent of S.B. 2327 and offers the following comments.

S.B. 2327 adds a new section to chapter 237, Hawaii Revised Statutes (HRS), exempting “all of the gross proceeds arising from medical services provided by physicians” from the general excise tax (GET). The measure states that “‘medical services’ provided by physicians includes those services provided within hospitals, medical clinics, and private medical practices that are performed by licensed practitioners that are rendered under chapter 453.” S.B. 2327 applies to taxable years beginning after December 31, 2019

The Department is able to administer the bill as written, and respectfully requests that any changes to the GET be made effective for gross receipts received on or after January 1, 2021. Applying this new exemption by the date that gross receipts are received instead of by taxable year will level the playing field so the exemption will apply to all affected taxpayers regardless of the tax year that they follow. The date change will also give the Department time to change forms and configure and test changes to our computer systems.

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

25 Aupuni Street, Suite 2603 • Hilo, Hawai'i 96720 • (808) 961-8211 • Fax (808) 961-6553  
KONA: 74-5044 Ane Keohokālole Hwy., Bldg C • Kailua-Kona, Hawai'i 96740  
(808) 323-4444 • Fax (808) 323-4440

January 27, 2020

Senator Rosalyn Baker, Chair  
Senator Stanley Chang  
Committee on Consumer Protection and Health

Dear Chair Baker, Vice Chairs Chang, and Committee Members:

RE: **SB 2413, Relating to General Excise Tax Exemptions and  
SB 2327, Relating to General Excise Tax Exemptions**

Thank you for this opportunity to testify on two bills dealing with 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 physician 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 physician shortage problem. 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.

Of the two bills you are considering, it is much easier to support SB 2327 than SB 2413. SB 2413 goes beyond addressing our healthcare crisis and might be so expensive for the State as to amount to a "poison pill." Also, I believe that a substantial percentage of the tax on food is paid by our visitors, while virtually all of the tax on healthcare is borne by our local providers. For both those reasons, I would ask for a favorable vote on SB 2327.

In closing let me note that I try to use the word "provider" because, in truth, our healthcare crisis goes beyond our physician shortage. For that reason, I want to note that SB 2542, which is not on today's agenda but has been referred to this Committee, would provide a general excise tax exemption for medical services provided by physicians and advanced practice registered nurses acting in the capacity of primary care providers. 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).

Thank you again for addressing our healthcare dilemma.

Respectfully Submitted,

Harry Kim  
MAYOR



## HAWAII MEDICAL ASSOCIATION

1360 S. Beretania Street, Suite 200, Honolulu, Hawaii 96814  
Phone (808) 536-7702 Fax (808) 528-2376  
www.hawaiimedicalassociation.org

### SENATE COMMITTEE ON CONSUMER PROTECTION AND HEALTH

Sen. Rosalyn Baker, Chair

Sen. Stanley Chang, Vice Chair

Date: January 29, 2020

Time: 9:30 a.m.

Place: Conference Room 229

From: Hawaii Medical Association

Michael Champion, MD, President

Christopher Flanders, DO, Executive Director

### **Re: SB2327 Relating to the General Excise Tax Exemptions**

### **Position: SUPPORT**

The Hawaii Medical Association 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% 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.

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



## **HAWAII MEDICAL ASSOCIATION**

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Executive Director – Christopher Flanders, DO

# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** GENERAL EXCISE, Exemptions for Food, Medical Services, Feminine Hygiene Products

**BILL NUMBER:** SB 2327

**INTRODUCED BY:** INOUYE, IHARA, KEITH-AGARAN, KIDANI, Nishihara

**EXECUTIVE SUMMARY:** Enacts a GET exemptions for medical services by physicians. The revenue impact could be considerable.

**SYNOPSIS:** Adds a new section to HRS chapter 237 to exempt gross proceeds arising from the sale of medical services, generally defined as services provided by a person licensed under HRS chapter 453.

**EFFECTIVE DATE:** Taxable years beginning after December 31, 2019.

**STAFF COMMENTS:** The bill is intended to exempt medical services from GET.

According to the State of Hawaii Data Book 2017 published by DBEDT (Table 13.37), health care services expenditures totaled about \$9.245 billion in 2016 and \$9.857 billion in 2017. Many of these services are provided by GET-exempt hospitals. The revenue impact for the GET-taxable entities could be considerable.

Digested 1/26/2020

**SB-2327**

Submitted on: 1/25/2020 12:29:59 PM

Testimony for CPH on 1/29/2020 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Scott Grosskreutz, M.D.	Testifying for Hawaii Physician Shortage Crisis Task Force	Support	No

Comments:

Hawaii has a statewide critical shortage of physicians, estimated at 820 currently. 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 Representative Mizuno for introducing bills on GET exemption.



HAWAII RADIOLOGICAL SOCIETY

LETTER OF SUPPORT

January 27, 2020

To the Honorable Rosalyn H. Baker, the Honorable Stanley Chang and members of the CPH Committee:

WITH REGARD TO SB 2327 which would provide a general excise tax exemption for medical services,

**the Hawaii Radiological Society (HRS) supports this measure.**

Hawaii is suffering a severe shortage of doctors, most dire on the neighbor islands. A quarter of our practicing physicians are age 65 or older and about half are over age 50. Hawaii must recruit and retain new doctors, especially for private practices in our rural communities. An exemption from the GET tax and tax credits are vitally needed to enable our medical practices to be fiscally viable.

Please contact us with any recommendations, concerns or questions.  
Mahalo for your thoughtful consideration of these issues.

With Aloha,

Scott Grosskreutz MD  
President, Hawaii Radiological Society  
grosskreutz@hirad.com

Lauris Wade MD  
Legislative Liaison, Hawaii Radiological Society  
jwade@hirad.com

Elizabeth Ann Ignacio MD  
Immediate Past President, Hawaii Radiological Society





# HAWAI'I ACADEMY OF FAMILY PHYSICIANS

January 28, 2020

Committee on Commerce, Consumer Protection, and Health  
Sen. Rosalyn Baker, Chair  
Sen. Stanley Chang, Vice Chair

Wednesday, January 29, 2020 9:30am Conference Room 229  
State Capitol  
415 South Beretania Street

Senate Bill 2327  
Testimony in Support

We, the Board of Directors of the Hawaii Academy of Family Practice representing over 300 active family practice physicians in our state, strongly support SB2327, a bill to exempt medical services provided by physicians from the GET. Currently hospitals and services provided by physicians employed by hospitals are exempt from GET so the current tax structure unfairly penalizes small and individual physician practices. Hawaii is the only state taxing medical services this way.

The Hawaii Physician Workforce Assessment project has determined that there is a serious twenty—four percent (24%) physician shortage in the State. The neighbor island shortage is more severe, measuring forty—four percent (44%) in Hawaii county, thirty—six percent (36%) in Maui county, and thirty-two percent (32%) in Kauai county. The federal government has also validated the shortage by designating Hawaii, Maui, and Kauai counties as health professional shortage areas. The physician shortage problem will soon be a public health emergency. On the neighbor islands where the shortage is worst, the community is more dependent on independent group and solo physician practices. According to the Hawaii Physician Workforce Assessment in 2019 there are 50 small or solo practices on the Big Island, 33 on Maui and 9 on Kauai. These practices are struggling to stay viable and the GET unfairly applied to independent and not hospital employed practices could be the deciding factor in closing a practice causing a severely underserved community to lose access to care and an important community business at the same time.

Many of the current efforts to address the severe physician shortage are long term strategic efforts (expanding the medical school, scholarships, rural training sites). The Board of the Hawaii Academy of Family Practice urges you to pass SB2327 as a way to provide immediate support for existing physician practices, preserve current access to care and important community small businesses.

Respectfully submitted,

Keola Adams, M.D.  
President

Hawaii Academy of Family Physicians Board of Directors

**SB-2327**

Submitted on: 1/28/2020 9:06:02 AM

Testimony for CPH on 1/29/2020 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Gregory Dunn	Testifying for Pacific Radiology Group	Support	Yes

Comments:

My name is Gregory Dunn, I am the president and managing partner of Pacific Radiology Group, a 13-physician private practice physician group in Honolulu providing imaging services to Kuakini Medical Center and Pali Momi Medical Center. Our physician group interprets all the x-rays, ultrasounds, CTs, MRIs, mammograms at these hospitals, as well as performs interventional radiology procedures.

In the last 5-7 years, our group has experienced a historically high turnover rate, with many new hires (often without ties to Hawaii) leaving our practice. In addition to the high turnover rate, it is incredibly challenging to recruit new physicians to Hawaii due to the high cost of living and geographic isolation. Despite constantly recruiting and hiring new physicians to replace the ones leaving, the turnover has led to a consistent shortage of radiologists within our group. Believe me, this shortage of physicians is a very real threat, and will only get worse, not only within our group, but throughout the greater physician community, as the aging physician population retires.

Our radiology specialty is particularly hit hard by GE tax, because there are several teleradiology practices that read for the mainland groups with a physician "pod" located in Hawaii. Because these mainland groups are generating income outside of Hawaii by serving the mainland population, they are not subject to GE tax. But we are. So we have radiology groups providing services to non-Hawaii residents outside of our community that are not taxed, but yet our own radiology group that serves our local Hawaii residents is taxed. How can we compete with these mainland groups when hiring new physicians with such an unlevel playing field? And what makes it worse is that these mainland groups that have the advantage don't even provide services to our community.

We need to do something. Our physician shortage will only worsen. We are one of the only states in the country with an excise tax on physician services. We need to eliminate the general excise tax on physicians as one measure to supporting and retaining doctors in Hawaii, as well as helping to recruit new physicians to Hawaii.

January 28, 2020

Senator Rosalyn Baker  
Chairman, Committee on Commerce, Consumer Protection, and Health

Senator Stanley Chang  
Vice Chair, Committee on Commerce and Consumer Affairs

RE: Testimony in Opposition of SB2327, Relating to GET Exemptions  
Hearing, Wednesday, January 29, 2020, 9:30 AM  
Conference Room 229

FROM: James A. Pleiss, DC  
Past President, Hawaii State Chiropractic Association  
2045 Main Street, Wailuku, Maui, Hawaii 96793  
808-242-8844

Dear Chairman Baker and Vice Chair Chang:

Thank you for the opportunity to testify in opposition of SB2327.

Although the HSCA supports the intent of this bill, we oppose the narrowness of SB2327 which only exempts medical doctors under HRS Chapter 453.

We support a broader application of medical services for exemption such as that provided in SB2413.

Thank you for the opportunity to testify before your committee in opposition of SB2327.

---

James A. Pleiss, DC, DABCO  
Past President, Hawaii State Chiropractic Association

**Dr. John Lauris Wade**  
**Legislative Liaison Hawaii Radiologic Society**  
**Member Hawaii Physician Shortage Task Force**

## **Hawaii SB 2327 Relating to General Excise Tax Exemptions**

### **Testimony**

The Legislature has recognized the findings of the Annual Report on Findings from the Hawai'i Physician Workforce Assessment Project. The Report to the 2020 Legislature determined that there is a serious 24% Physician Shortage in the State of Hawai'i. The Neighbor Island shortage is more severe and measures 44% in Hawaii County, 36% in Maui County, and 32% in Kauai County. Federal Government has validated the shortage and designated Hawaii, Maui and Kauai Counties as Health Professional Shortage Areas. Hawai'i's Congressional Delegation has written to the Centers for Medicare and Medicaid Services and recognizes the risk to our most vulnerable communities. The Legislature should recognize the Physician Shortage will worsen unless mitigating steps are taken immediately.

General Excise Tax and County Surcharges are levied on Hawai'i businesses on the sale of goods and services. The tax applies to medical services provided by group and private practice physicians. Hawai'i is the only state in the nation broadly taxing medical services in this way.

General Excise Tax and County Surcharges are applied to the gross receipts of Hawai'i medical practices without regard to the high costs of providing medical services in a high cost State. Community physicians are operating small businesses with narrow profit margins. Medicare, Medicaid and Private Insurer payments for Medical Services are well below national levels. The General Excise Tax and County Surcharges make some medical practices unviable and result in practice closures. Surviving practices find it difficult or impossible to recruit and retain new or younger physicians.

General Excise Tax and County Surcharges are highly regressive forms of taxation and disproportionately and adversely affect low-income and middle class families struggling to cope with the state's high cost of living. Physicians who receive Medicare, Medicaid, and Tricare payments are

subject to the General Excise Tax and may recoup this cost from patients as a way to recover the expense. Most physicians do not currently pass this cost along to patients. This shifts the tax burden from patient to provider. However, with medical practices under immense financial pressure, this may soon change. This would result in state taxation of patients needing surgical or medical treatments at a time when their families are most vulnerable.

General Excise Tax and County Surcharges currently exempt hospitals and their employed physicians. The Legislature should recognize that hundreds of rural hospitals have closed nationwide. Despite an exemption, many Hawai'i hospitals continue to operate at a loss. The few profitable hospitals are barely so. Imposing GET on hospitals would result in nearly all hospitals having negative margins, essentially taxing the institutions out of existence and significantly impairing patient access to healthcare. The Legislature should acknowledge the same principal applies to all medical services. In order to safeguard patient access to care, The General Excise Tax and County Surcharges should exempt medical services performed within group and private practices.

General Excise Tax and County Surcharges on medical services are not considered in the United States Centers for Medicare and Medicaid Services Physician Fee Schedule. The GET effectively reduces the Medicare Geographic Practice Cost Index and resultant Medicare healthcare payments by 4.5%. As a result, Hawai'i providers have the worst Medicare reimbursement in the Nation. The GET tax's adverse effects on medical providers are further compounded by high corporate and individual income tax rates.

General Excise Tax and County Surcharges contribute to a Statewide Physician Shortage Crisis. Effects vary from island to island. Hawaii County is in a Healthcare Access State of Emergency and suffers a 44% shortage of physicians. This will worsen. 32% of Big Island physicians are age 65 years or older and approaching retirement. Meanwhile the Big Island population is projected to cross 300,000 by 2045 and the shortage will soon exceed 50%. A projected net increase of 440 physicians will be needed to serve Hawaii County alone.

General Excise Tax and County Surcharges contribute to a statewide Physician Shortage of 820. As such, the GET damages the state

economy. The 2018 American Medical Association study on the National Economic Impact of Physicians indicates every Physician in the U.S. generates \$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. 830 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.

In summary.....

The General Excise Tax and County Surcharges on Medical Services:

1. Contribute to an ongoing Physician Shortage Crisis.
2. Negatively impact Patient Access to Care.
3. Negatively impact Medical Practice Viability.
4. Disproportionately and adversely affect low income and middle class families through a highly regressive form of taxation.
5. Result in Hawai'i having the worst Medicare Reimbursement in the Nation.
6. Damages the State Economy.

**SB-2327**

Submitted on: 1/27/2020 12:06:25 PM

Testimony for CPH on 1/29/2020 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Andrew Kayes, M.D.	Individual	Support	No

Comments:

**SB-2327**

Submitted on: 1/27/2020 1:40:41 PM

Testimony for CPH on 1/29/2020 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Aya Sultan	Individual	Support	No

Comments:



**SB-2327**

Submitted on: 1/27/2020 1:41:11 PM

Testimony for CPH on 1/29/2020 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Edward Gutteling, M.D.	Individual	Support	No

Comments:

Dear Senators:

As you know, we have a severe critical doctor shortage in Hawaii, especially on the Big Island, worse and getting more worser daily.

The numbers don't lie, the docs are leaving. 152 left last year, and that doesn't count those retiring, quitting and dying off.

Why don't Docs want to practice here any more?

Very simple: they get worked way too hard, get paid way too little.

There is little the government can do about the work-too-hard part,

but the paid-too-little part, you folks totally can.

The GET tax is NOT passed on to the patients for any Federal insurance program: Medicare, Medicaid, TriCare prime. It is basically an additional 4.7% hit on top of the already way too low (by national standards) that the docs get.

Quit frankly, Hawaii should not be taxing heath care at all, as when it does get passed on to the patient, they're being taxed for being sick. Its not a good look for our aloha state.

I urge your support passage of this bill SB2327

Please see below my recent article in Civil Beat that is my cry from the heart.

Aloha

Edward Gutteling, M.D.

Hilo

[https://www.civilbeat.org/2020/01/the-severe-doctor-shortage-on-the-big-island/?utm\\_source=Civil+Beat+Master+List&utm\\_campaign=f2104f72b7-EMAIL\\_CAMPAIGN\\_2020\\_01\\_21\\_06\\_15&utm\\_medium=email&utm\\_term=0\\_51c2dd3cf3-f2104f72b7-401895713&mc\\_cid=f2104f72b7&mc\\_eid=](https://www.civilbeat.org/2020/01/the-severe-doctor-shortage-on-the-big-island/?utm_source=Civil+Beat+Master+List&utm_campaign=f2104f72b7-EMAIL_CAMPAIGN_2020_01_21_06_15&utm_medium=email&utm_term=0_51c2dd3cf3-f2104f72b7-401895713&mc_cid=f2104f72b7&mc_eid=)

# The Severe Doctor Shortage On The Big Island

*The Big Island is experiencing a critical physician shortage currently at 44% and getting worse.*

## Doctors Agonistes: Paradise Lost

Edward Gutteling, M.D.

21 January, 2020

My friend Frank died Friday night.

Our Big Island doctor shortage is now 231. Dr. Frank Hammer came here straight from the army, 1976. Two years ago, age 70, anesthesiologist Dr Hammer got the power lifting championship Masters Division World Record dead lift and 2nd in bench-press. He said "I was thinking I'd just grab the bar and push my f\*&king feet through the floor!". And man-o-man, did he ever.

His heart attack started during a surgicenter case. "I didn't feel quite well" he told me later.

OBGYN surgeon Dr Fred Nitta (no spring chicken himself) told him to get subbed out. "No way!" Frank said, finishing the operation before Dr Nitta could get an EKG on him. "No Frank, you're not driving yourself to the ER". He went by ambulance, bypassed the ER and straight into the Hilo Med Center cardiac cath lab. They saved his life that day. "Maybe I'll quit hospital call, staying up all night, when they let me back next month" he said. "Good idea, Frank. Rest up, see you then" I said. But it wasn't enough. A week later he was gone.

A few years ago, after 40 years in Hilo, my friend Djon died. The Queens Med Center program director said Dr. Djon Lim was "the best cardiologist the Fellowship program ever had". He was from Medan, Sumatra, just down the road from Banda Ache where my grandmother was born.

He and my Dad, his patient, chatted about old Indonesia days, very cool.

I remember once him crawling off his sick bed in the dead of a Sunday night, coming in coughing, looking like crap to help my ER fracture patient. Then one day Djon said "Ed, I can't continue losing money every year. I'm closing my practice, changing to hospital employee". Even a fully-booked world-class cardiologist couldn't make money practicing in Hilo.

They've been through about 6+ cardiologists since then, they come and go, none in private practice.

My friend Ben quit last year. Dr Ben Ono was my personal doc, the only fellowship trained pulmonologist on the Big Island. Superb. Busy. He said insurance company constraints, "payment transformation program", forced computerized scrutiny, extra requirements all resulted in losing money. He wanted to keep going, tried, but he quit.

After two of his kids were born here, my neighbor, anesthesiologist Dr Steve Lazaro took his family and moved away. "It's never going to change, and it's getting worse." Anesthesia Dr Danny Chaung left last year too, with wife and newborn kid. The Hilo Surgicenter started cutting back on my OR time, short on anesthesia docs. Now it completely shuts an OR some days.

The Hilo Endoscopy Center went from 3 to 1 ½ gastroenterologists, soon 1, and has been unable to recruit anyone in 6 years of trying.

No one wants to come here.

Why is that? Very simple: our docs get worked way too hard, get paid way too little. As in any abusive relationship, eventually one leaves.

Medicare pays Hawaii docs near the bottom of the scale despite our highest cost of living in the nation. Alaska docs get 50% more, even New York and California get more. Then Hawaii State takes GET 4.2 % of that, which we are forbidden to charge the patients. So Hawaii docs actually get paid net the *lowest* rates in the nation. Ditto for Medicaid, Quest. No other state taxes medical care. None. The counties voted an extra .5% to pay for the Honolulu train-to-nowhere, so a 4.7% hit coming atcha, docs!

CMS(Centers for Medicare & Medicaid Services), began penalizing us an additional 4% "negative adjustment" for not meeting "Meaningful Use Stage II" electronic health record requirements. (More like "Meaningful Abuse") In 2 years this becomes a 9% hit. Many practices, including urgent care, can in no way meet those extra requirements without losing money.

They're already penalizing 8 of our hospitals 0.3% for having too many re-admissions, due to collapse of primary care provider back-up in the community.

The Big Island is experiencing a critical physician shortage currently at 44%, worsening with demand climbing and our docs leaving, getting old, quitting, retiring and dying.

Docs are channeling their inner Rambo: “I love my country! I just want it to love us back.”

[Last year 152 docs left Hawaii.](#)

*Dr. Gutteling is team orthopedic surgeon for the UH-Hilo Vulcan Athletes, one of the last endangered free-range orthopedic surgeons on the Big Island..*

**SB-2327**

Submitted on: 1/27/2020 12:06:15 PM

Testimony for CPH on 1/29/2020 9:30:00 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 has a severe shortage of doctors in our state. 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.

Erin Capps MD

**SB-2327**

Submitted on: 1/27/2020 10:39:35 AM

Testimony for CPH on 1/29/2020 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
James Lambeth	Individual	Support	No

Comments:

I am a retired physician who provided diagnostic radiology services on Hawaii Island from 1976 to 2016. In addition from 1998 to 2016 as a private practitioner I assisted Hilo Medical Center and Kona Community Hospital in establishing and staffing radiation oncology services at those facilities.

I attended a well recognized private medical school without family or outside financial support and completed residency without debt. Times have changed. My journey contrasts with that of today's residency graduates who commonly have several hundred thousand dollars of debt each. This situation virtually guarantees that most graduates, now and in the future, no matter the amount of aloha or warm weather, will seek medical employment and career elsewhere than in Hawaii given its current cost of living and tax structure compared with other states.

**SB-2327**

Submitted on: 1/25/2020 7:28:24 PM

Testimony for CPH on 1/29/2020 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Lee Buenconsejo-Lum	Individual	Support	No

Comments:

**SB-2327**

Submitted on: 1/25/2020 4:02:36 PM

Testimony for CPH on 1/29/2020 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Ming Peng	Individual	Support	No

Comments:

I have been in practice for about 20 years on Big Island, Hawaii. Our private practice group of physicians have been overworked and stretched to the breaking point. The last permanent physician we hired was nearly 19 years ago. We have not been able to retain a physician for longer than 4 years. They typically cite the high cost of living and poor reimbursements, and subsequently work for mainland groups.

The age of our group is in their late 50s-early 60s, close to retirement. We have been working several weekends every month and not infrequently double shifts. This is in order to cover the needs of the island. This is causing burnout and increases medicolegal risk. In fact, I know malpractice suits have been made against overworked physicians who have only been trying fill the void of the lack of care.

I was shocked to learn that hospital services are exempt from the GE tax, but private practice physicians are not and therefore, left to carry the burden. How is this right?

Exempting private practice physician from GE tax can only help overworked private practice physicians who are already working on thin margins.



**SB-2327**

Submitted on: 1/27/2020 1:56:17 PM

Testimony for CPH on 1/29/2020 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Nicholas Walle	Testifying for Hawaii Radiological Society	Support	No

Comments:

I am writing in strong support of this measure. Hawaii has a severe shortage of doctors in our state. A quarter of our practicing physicians are age 65 or older and about half are over age 50. Our state needs to recruit and retain new doctors, especially for private practices in our rural communities. An exemption from the GET tax is needed to make medical practices fiscally viable.

**SB-2327**

Submitted on: 1/27/2020 1:21:26 PM

Testimony for CPH on 1/29/2020 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Omar Sultan	Individual	Support	No

Comments:

**SB-2327**

Submitted on: 1/27/2020 11:29:50 AM

Testimony for CPH on 1/29/2020 9:30:00 AM

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

Comments:

Please support this bill. This will definitely help many physicians in private practice. As being a recently retired radiologist of a small private practice, it has been quite difficult to sustain financially as we provide quality medical care to the residents of this state. Exemption of excise tax on the services we provide will help tremendously in the survival of small physician practices in Hawaii.

**SB-2327**

Submitted on: 1/28/2020 3:43:29 AM

Testimony for CPH on 1/29/2020 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Laeton J Pang	Individual	Support	No

Comments:

I'm writing to sign the petition to repeal the Hawaii GET on medical. This tax is unfair, especially to our cancer patients who already face financial toxicity from thousands of dollars in medical bills and places yet another burden on medical practices struggling to survive further contributing to the physician shortage.

Laeton J Pang, MD, MPH, FACR, FACRO

**SB-2327**

Submitted on: 1/28/2020 8:03:54 AM

Testimony for CPH on 1/29/2020 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Loren Tsugawa	Individual	Support	No

Comments:

I support this bill because as a Big Island resident, we are experiencing a shortage of doctors. This bill is in the right direction to help solve that problem.

**SB-2327**

Submitted on: 1/28/2020 7:50:20 AM

Testimony for CPH on 1/29/2020 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Michelle Mitchell	Individual	Support	No

Comments:

**SB-2327**

Submitted on: 1/28/2020 10:27:26 AM

Testimony for CPH on 1/29/2020 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
jared hamamoto	Individual	Support	No

Comments:

I am writing in strong support of this measure. Hawaii has a severe shortage of doctors in our state. A quarter of our practicing physicians are age 65 or older and about half are over age 50. Our state needs to recruit and retain new doctors, especially for private practices. An exemption from the GET tax is needed to make medical practices fiscally viable.

Kelley Withy, MD, PhD

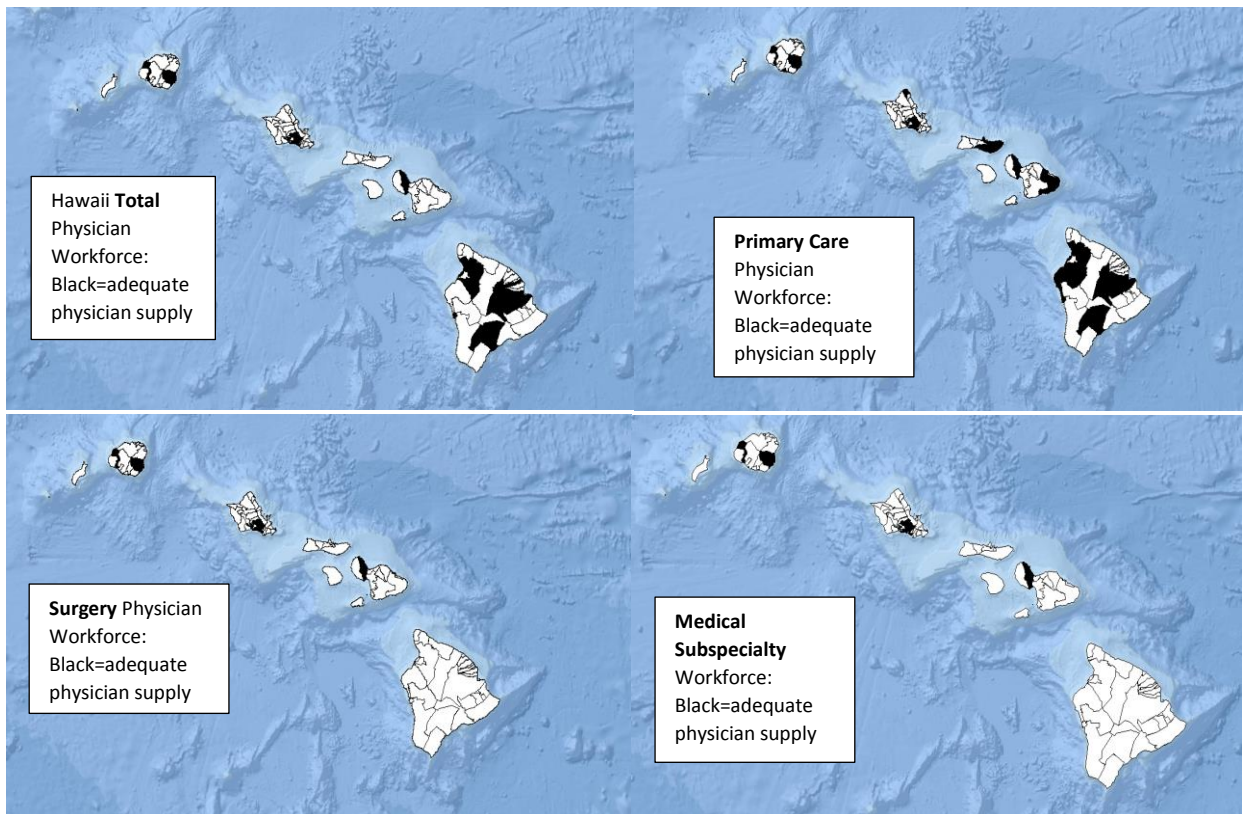
January 28, 2020

RE: SB2327 In Support

Dear Senator Baker and Senator Chang,

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 providers. There are many reasons for this, but the number one reason is high cost of living and low reimbursement for services/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 for many small practices in Hawaii. 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 practice 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. Below I provide the latest maps of where the physician shortages are in Hawaii, and to my eye it looks like the greatest shortages and biggest need 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 and Medicaid patients. My understanding is that the GET is charged on all goods 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 won't let any doctor charge more than their accepted rate. So the doctor can't charge the tax and absorbs that cost (pays it him/herself basically). 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!

I offer my full support for SB 2327. Thank you for your time considering this! Kelley Withy, MD, PhD

**SB-2327**

Submitted on: 1/28/2020 10:46:34 AM

Testimony for CPH on 1/29/2020 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Neil Manago	Individual	Support	No

Comments:

I am writing in strong support of this measure. Hawaii has a severe shortage of doctors in our state. A quarter of our practicing physicians are age 65 or older and about half are over age 50. Our state needs to recruit and retain new doctors, especially for private practices. An exemption from the GET tax is needed to make medical practices fiscally viable.

**SB-2327**

Submitted on: 1/28/2020 11:41:36 AM

Testimony for CPH on 1/29/2020 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Stephanie Yan	Individual	Support	No

Comments:

SB2327

GET taxes

Testimony in Support of SB2327

I have recently been recruited to be a trauma and general surgeon here on Maui. I started my practice Dec 2018. For the first year, I wanted to be in control and to intimately know my practice and my business, so I took it upon myself to do the billing and coding. What I have learned is that the payors here do not make it easy for doctors to order and get approval for services patients need; they don't make it easy to get approval for services, delaying care; they don't make it easy to get paid and they deny paying for services almost for random minutiae, so this adds to the already high cost of doing business here. My administrative cost is very high due to these time consuming challenges and on top of that Hawaii is the only state that charges individual physicians and providers GET taxes, which is not allowed to be passed down to patients for all medicare or medicare related services. AND these MEDICARE and MEDICARE related patients are the most vulnerable and underserved patients.

The State of Hawaii must do it's part to save the best part of the United States of America, it must, to the best of its ability, support small businesses. In supporting SB2327, you will be supporting small businesses. You will be supporting individual physicians and providers who are in short of supply in this states. The more robust our small individual physicians and providers are, there will be more competition; then the better the quality of services because it won't be monopolized by a few hospitals or corporations. For example, I have built a system in my clinic where patients are answered directly by my MA or myself, not to be passed around from one operator to another, and I have patients that are changing insurances because they want out of the corporate medicine model. They are eager and happy to see alternative ways to be served and we small individual physicians and providers can give them that variety to choose from. It is unfair that hospitals and physicians employed by hospitals are exempt from GET taxes but small and individual physician practices are required to pay GET taxes. Medicare and other medicare related payors disallow any state to charge any

sales tax on top of their scheduled reimbursements. However, in Hawaii, with it's 24-44% shortage in physicians and physician specialists, it is requiring the individual physicians to pay the GET taxes on top of an already low reimbursement rate (30% less than the mainland with over 30% more in the cost of living here). It is no wonder that physicians who are not employed are leaving and it is really difficult to recruit individual physicians because of these realities.

I hope that you can take this physician shortage problem with a multi-pronged approach. It's not just about supply , it's about how physicians are treated here and IT IS about how business is done here by hospitals and insurances and the state government. Hawaii is a great place to live and to practice medicine because of the people here. Patients are so grateful! It makes you wonder why it is so hard to recruit physicians...IT'S really NOT a supply problem, please look deeper (at hospital monopoly, at cost of administration to satisfy payor delay/deny tactic) and try to eliminate all the barriers to giving Hawaii the best physicians and providers because these things have life and death consequences (i.e. delay in treating a stage 3 cancer can turn into a widespread stage 4 cancer in less than 4 weeks; from being a resectable cancer to unresectable cancer). Hawaii deserves that closer look, Hawaii deserves the best ALOHA because that's what the Hawaii people give!!!