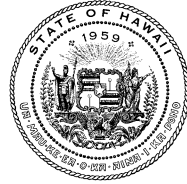


DAVID Y. IGE
GOVERNOR
JOSH GREEN M.D.
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

RONA M. SUZUKI
DIRECTOR OF TAXATION
DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

LATE

To: The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;
and Members of the Senate Committee on Ways and Means

From: Rona M. Suzuki, Director
Department of Taxation

Re: S.B. 2542, S.D. 1, Relating to the General Excise Tax Exemptions

Date: Wednesday, February 19, 2020

Time: 10:00 A.M.

Place: Conference Room 211, State Capitol

The Department of Taxation (Department) supports the intent of S.B. 2542, S.D. 1, and offers the following comments.

S.B. 2542, S.D. 1, 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 (for physicians) or chapter 457 (for advanced practice registered nurses), HRS. S.B. 2542, S.D. 1, takes effect on July 1, 2020, and applies to gross receipts received after January 1, 2021.

The Department appreciates the adoption of its suggested made by the Senate Committee on Commerce, Consumer Protection, and Health to delay applicability until January 1, 2021. The Department is able to administer the bill as written.

Thank you for the opportunity to provide comments.

Harry Kim
Mayor



LATE

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

February 18, 2020

Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair
Committee on Ways and Means

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and Committee Members:

RE: **SB 2542, SD1 Relating to the General Excise Tax Exemptions**

Thank you for this opportunity to testify 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?

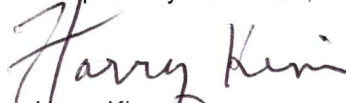
And the ramifications are important, too. To what extent do we limit our primary economic driver, tourism, when visitors are warned "Don't get sick in Hawai'i"?

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.

When I describe our situation, I try to use the word "provider" because, in truth, our healthcare crisis goes beyond our physician shortage. For that reason, SB 2542, SD1 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 all 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).

Please pass SB 2542, SD1, and thank you again for addressing our healthcare dilemma.

Respectfully Submitted,


Harry Kim
MAYOR

SB-2542-SD-1

Submitted on: 2/14/2020 5:20:35 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|--|---------------------------|---------------------------|
| Lisa Rantz | Testifying for Hawaii State Rural Health Association | Support | No |

Comments:

SB-2542-SD-1

Submitted on: 2/16/2020 8:14:46 AM

Testimony for WAM on 2/19/2020 10:00:00 AM

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

Comments:

Our physician shortage in Hawaii has been well documented and worsening for over a decade. The various proposed solutions to date, such as more recruiting and training new providers, will fail unless the private practice of medicine in our state is fiscally viable. The unique taxation of medical services by Hawaii's GET tax makes our state uncompetitive in attracting and retaining doctors.

Currently Hawaii has the second oldest physician workforce in the U.S., with a quarter of practicing doctors often working 60 or more hours a week into their late 60s and 70s. On the Big Island, where a third of doctors are 65 or older, Mayor Harry Kim has declared a "health care crisis that will get worse unless we, as a community, be aware of this crisis and act to address the issues". As this huge cohort of older doctors are forced to retire soon by age, death or disability, younger replacement providers must be recruited AS SOON AS POSSIBLE from elsewhere. Training more local young people in medicine is a laudable goal, but with 4 years of medical school, 1 year of internship, 3-5 years of residency and 1-2 years of fellowship our access to health care will crash long before these new providers are ready to practice.

As a former Commander in the U.S. Navy and having served on the state's response team in Hawaii [after 9/11](#), I am also concerned about the impact on our "hollowed out" older workforce of the impending coronavirus pandemic. Highly infectious diseases such as SARS and coronavirus infect many healthcare providers, despite standard precautions. Currently China reports over 1700 healthcare workers have been infected. Our older healthcare workers in Hawaii are much more likely to be susceptible to infection due to age, and their existing medical

conditions. A substantial but unknown number of providers in Hawaii may well be will be sidelined by quarantine or infection.

If an older doctor, already struggling to keep their practice afloat, is quarantined for weeks, or too ill to practice for an extended period, it is quite possibly that their offices will be closed and never reopen. If a substantial number of providers are effected on Hawaii Island, our local doctor shortage will quickly exceed 50%.

The shortage of doctors on Hawaii Island has tripled the last 12 years. With our Big Island population projected to reach 311,000 as of 2045, our shortage of physicians is projected to increase from 230 to 440 doctors . This estimate does not include the losses from the aging cohort or the COVID-19 pandemic.

Our Hawaii Physician Shortage Crisis Task Force respectfully requests that SB2542/HB2228 be passed this session and implemented in 2020. Bring new doctors and APRNs to Hawaii is critical to provide access to healthcare in Hawaii for much of our population, especially on the Neighbor Islands.

SB-2542-SD-1

Submitted on: 2/16/2020 5:36:56 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---|---------------------------|---------------------------|
| Ryan C. Parnell | Testifying for Hawaii Radiologic Associates, Ltd. | Support | No |

Comments:

Passage of this bill directly and/or indirectly helps to ensure Hawaii Radiologic Associates, Ltd., a practice consisting of nine radiologists, remains in business to provide 72 administrative and technical jobs to residents on the Island of Hawai'i along with supporting the healthcare needs of those in Hawaii.

SB-2542-SD-1

Submitted on: 2/16/2020 7:20:21 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------------|---|---------------------------|---------------------------|
| Michael Ching, MD, MPH | Testifying for American Academy of Pediatrics, Hawaii Chapter | Support | No |

Comments:

The American Academy of Pediatrics, Hawai'i Chapter offers its support for SB2542 SD1, relating to general excise tax exemption for gross proceeds arising from medical services provided by physicians.

The goal of this bill is to improve access to healthcare for Hawai'i's families by reducing our state's physician workforce shortage. Primary care providers and specialists today practice on ever narrow margins. Changes to the way our state's major health insurer pays for care have resulted in decreased revenue for many of our member physicians.

In addition, the federal Centers for Medicare & Medicaid Services do not allow providers to pass on the general excise tax to patients like many other businesses in Hawai'i. The general excise tax effectively creates a disincentive for providers to care for Medicare patients.

Our Chapter would appreciate your support to pass this bill from your committee.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Exemption for Medical Services

BILL NUMBER: SB 2542, SD-1

INTRODUCED BY: Senate Committee on Commerce, Consumer Protection, and Health

EXECUTIVE SUMMARY: Beginning January 1, 2021, provides a general excise tax exemption for medical services by physicians and advanced practice registered nurses acting in the capacity as a primary care provider.

SYNOPSIS: Adds a new section to chapter 237, HRS, to exempt gross proceeds arising from the sale of medical services, generally defined as services provided by a person licensed under HRS chapter 453 or 457.

EFFECTIVE DATE: July 1, 2020.

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 from exempting the GET-taxable individuals and entities could be considerable.

Digested 2/16/2020

SB-2542-SD-1

Submitted on: 2/17/2020 11:06:51 AM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---|---------------------------|---------------------------|
| Jerald Garcia | Testifying for Hawaii Institute of Pain | Support | No |

Comments:

Aloha Senators:

As a former president and current board member of the Philippine Medical Association of Hawaii (PMAH), I have seen first hand how many of my colleagues in medicine have either retired earlier than scheduled or shut down their clinics in order to move to the mainland. In doing so, they retire their much-needed services or bring their much-needed expertise along with them to the mainland. It simply has become very expensive to maintain a medical practice in Hawaii. This plus the burden of multiple regulatory obstacles and delayed payments, I believe, contribute to our current physician shortage. This brain drain of sorts is detrimental to our state and the people that live within. Access to quality health care by Hawaiians is compromised. As such, I implore you to please hear and approve SB 2542, which would provide a GET exemption for physicians and advance practice registered nurses. Such a gesture on the part of the State of Hawaii will mean a world of difference for each and every practicing physician and nurse practitioner serving Hawaii's patients, as they struggle to maintain a financially viable medical practice. It is an important, gigantic step towards solving the physician crisis in Hawaii.

Mahalo for listening!

Sincerely,

Jerald Garcia, MD

Board of Governor, Philippine Medical Association of Hawaii (PMAH)

President, Hawaii Institute of Pain (HI Pain)

**Written Testimony Presented Before the
Senate Committee on Ways and Means**

**Hearing: February 19, 2020, 10:00 AM
State Capitol, Conference Room 211**

By Hawaii – American Nurses Association (Hawaii-ANA)



SB 2542, SD1- RELATING TO THE GENERAL EXCISE TAX EXEMPTIONS

Chair Donovan M. Dela Cruz, Vice Chair Gilbert S.C. Keith-Agaran, and members of the Senate Committee on Ways and Means, thank you for this opportunity to provide testimony in strong support for SB 2542, SD1. This bill seeks “to provide a general excise tax exemption for medical services by physicians and advanced practice registered nurses acting in the capacity as a primary care provider”.

We are members of the American Nurses Association of Registered Nurses in Hawaii. As a profession, we advocate for the health of vulnerable populations in our community and for the nursing profession. We are all aware of the acute and chronic shortage of primary care providers in Hawaii. This is an area where an unnecessary tax burden can be removed as a gesture of support for those who continue to work as primary care providers in this shortage environment.

Currently, an advanced practice registered nurse (APRN) providing primary care for the homeless mentally ill in Honolulu owes more than 4% in GET on every dollar earned. This is an opportunity for the legislature to remove that burden for every primary healthcare provider in Hawaii.

We respectfully request that SB2542, SD1 pass out of this committee. Thank you for your continued support for measures that address the need for recruiting and retaining primary healthcare providers in Hawaii.

Contact information for Hawaii – American Nurses Association
President: Katie Kemp, BAN, RN-BC
Executive Director Dr. Linda Beechinor, APRN-Rx, FNP-BC
phone (808) 779-3001
500 Lunalilo Home Road, #27-E
Honolulu Hawaii USA 96825

president@hawaii-ana.org
executivedirector@hawaii-ana.org

SB-2542-SD-1

Submitted on: 2/17/2020 4:54:12 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|--------------|--------------------|--------------------|
| John Lauris Wade MD | Individual | Support | Yes |

Comments:

My name is John Lauris Wade MD and I am the Legislative Liaison for the Hawai'i Radiologic Society and Hawai'i Physician Shortage Crisis Task Force. As such, I have been working closely with a number of concerned physicians on the critical and growing Patient Care Access Issue driven by severe Physician and Advanced Practice Registered Nurse Shortages in the State of Hawai'i.

The Economic Argument for Physician GET Exemption

As President John F Kennedy once said,

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

In a nutshell, the issue is as follows.

- Hawai'i's Physician Shortage is 820 and growing.
- Shortage measures 44% on Big Island, 36% in Maui, 32% in Kauai.
- 1/3 of Big Island Physician are age 65 or older. Hawai'i has the 2nd oldest MD workforce in the Nation.
- GET as currently applied to Medical Services results in Medicare reimbursement that is the Worst in the Nation.
- Medicaid, Private Insurance, and Remaining Payers all base rates on Medicare.
- Hawai'i medical practices are having difficulty surviving, much less retaining and recruiting new Physicians.
- Medical Care Access is in crisis, particularly on Neighbor Islands.

Proposed legislation would:

- Leave GET funds in the hand of medical practices to be taxed as income after expenses.
- Significantly improve the ability of medical practices to compete with the opportunities offered stateside.
- Significantly reduce if not eliminate the Physician Shortage.

Per 2018 American Medical Association study on the National Economic Impact of Physicians, Every Physician in US

- Generates over \$3,000,000 in aggregate economic output
- Creates 17 new jobs
- Generates \$1,400,000 in wages and income.
- Generates over \$125,000 in state and local tax revenue.

Using AMA data, 820 new physicians in Hawaii would:

- Generate over \$2,600,000,000 in aggregate economic output
- Creates 14,000 new jobs
- Generate \$1,100,000,000 in wages and income.
- Generates over \$100,000,000 in state and local tax revenue.

The Cost of GET Exemption

- US Department of Commerce, Bureau of Economic Analysis has released figures that peg HI Physician Wages and Proprietor Income at 1.1 Billion dollars.
- With GET at 4%, Bills would reduce revenue by \$44,000,000 if applied to physicians alone.
- The Cost expands and decreases proportional to application. IE, much higher cost if Exemption is applied to all Medical Services irrespective of type of provider, less if applied to specific providers or geographic areas.
 - Please also note that these figures do not necessarily account for the increases in Income, Property, Business, and GET Taxes that would be levied on dollars left in the hands of Physician Practices, reducing the cost to the State of Hawaii even further. $\hat{\epsilon}$$\hat{\epsilon}$$\hat{\epsilon}$$\hat{\epsilon}$$\hat{\epsilon}$$\hat{\epsilon}$

As such, with a reasonable margin of error, it can safely be stated that creating an environment conducive to bringing more physicians to the State of Hawaii would generate more revenue to Hawaii than the cost of the exemption. Nothing less than the health of our State is at risk.

References For Statements Made Above are available on request.

Respectively Submitted with High Regard,

John Lauris Wade MD

Legislative Liaison

Hawaii Radiologic Society

802-379-8060

LTrain1@mac.com

SB-2542-SD-1

Submitted on: 2/17/2020 5:52:37 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---|---------------------------|---------------------------|
| Christopher Regala | Testifying for Ear, Nose, & Throat Clinics of Oahu, LLC | Support | No |

Comments:

Aloha Senators,

As an otolaryngologist practicing for fifteen years in central Oahu and the immediate past-president of the Philippine Medical Association of Hawaii and a current board of governor, I am writing to express my support for SB2542 SD1. Hawaii is one of the few states to levy a general excise tax on medical services for patients. This combined with the diminished reimbursement rates for physician services has made Hawaii a very difficult place to maintain a financially viable medical practice. In my own practice, I am forced to close my office in Wahiawa to decrease my overhead to maintain my practice. I believe that this is contributing to our state's current physician shortage, especially of specialists in rural areas.

The GE Tax Exception will help significantly by decreasing the financial burden placed on physicians to continue serving the Hawaii community and is a step in the right direction toward solving our current physician shortage crisis.

Mahalo for your consideration of this important bill.

Sincerely,

Christopher Regala, MD

Immediate Past President and Board of Governor, Philippine Medical Association of Hawaii

Ear, Nose, & Throat Clinics of Oahu, LLC

(808)622-2626

SB-2542-SD-1

Submitted on: 2/17/2020 10:55:30 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|----------------------------|--|---------------------------|---------------------------|
| Michael A. McMann, M.D. | Testifying for McMann Eye Institute | Support | No |

Comments:

Aloha,

Thank-you for taking my testimony on this extremely important and necessary measure. Beginning and maintaining a medical practice in Hawaii is VERY difficult. Reimbursements are some of the lowest in the country and as you know the costs of doing business are some of the highest in the country. Hawaii is the ONLY state that levies a General Excise Tax on medical services. While it may seem like no big deal since we should just pass through this cost onto our customers (i.e. patients), for all governmental payers (Medicare, Medicaid, etc.), we cannot legally charge them GET. So for government payers the GET becomes an ABSOLUTE 4.7% slashing of our already marginal reimbursements. The GET is definitely one of the main or top reasons why physicians are fleeing the state and there's a significant physician shortage. I strongly support this bill!

Mahalo,

Michael A. McMann, M.D.

SB-2542-SD-1

Submitted on: 2/17/2020 11:53:31 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| maria VER | Individual | Support | No |

Comments:

Dear Senators:

My name is Dr. Maria "Marel" Ver and I am the current President of the Philippine Medical Association of Hawaii.

I am writing in support for approval of SB 2542 for the GE Tax exemption for physicians and nurse practitioners.

I am a general surgeon, therefore this bill does not affect me directly, however it does affect the care of my patients. On a weekly basis, I am called to see patients in the emergency room for urgent surgery consults. Many times, this leads to subsequent operations and hospitalization. I also take care of Trauma patients who often do not have a primary care doctor.

When patients do not have access to a primary care provider, then their baseline health is suboptimal. The risks before and after surgery and injury are greater, given that they have nobody to take care of their overall health. Furthermore, I struggle often to find these patients a primary care provider that is willing to take the burden of transitioning my care onto theirs, especially if these patients are uninsured, or have limitations on their insurance. These patients further burden the healthcare system and us providers are just trying to do the right thing.

With the doctor shortage, it is even more difficult to find primary care providers taking new patients, and those who are established primary care providers, may already have a full panel. Definitely, the costs of running a practice are tremendous, which contribute to burnout, dissatisfaction with medicine, and unfortunately may lead to leaving Hawaii due do cost-of-living discrepancies.

Passing SB 2542 would help the overall healthcare system in Hawaii, by allowing for the longevity of our current primary care providers, and encouraging more providers to come to our state.

I thank you for your recognition of this problem and for listening to my testimony.

Respectfully,
Marel Ver, MD
PMAH President 2020

Maria "Marel" Ver, MD FACS FASMBS
General Surgery|Bariatric Surgery|Trauma Medical Director
Pali Momi Medical Center| POB 630
98-1079 Moanalua Road | Aiea, HI | 96701
Office: 808-485-5414 Fax: 808-485-3022
Email: maria.ver@palimomi.org

SB-2542-SD-1

Submitted on: 2/18/2020 6:22:40 AM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---|---------------------------|---------------------------|
| Craig Thomas | Testifying for Hawaii Emergency Physicians Associated | Support | No |

Comments:

We compete with US mainland, Canada, Australia and New Zealand for board certified physicians to staff our rural hospitals. Compensation is our big challenge, this tax relief will help.

SB-2542-SD-1

Submitted on: 2/18/2020 6:32:50 AM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|-----------------------|--|---------------------------|---------------------------|
| Katherine Heinzen Jim | Testifying for HEPA - Hawaii Emergency Physicians Associated | Support | No |

Comments:

Physicians in Hawaii are paid significantly less than in other areas on the mainland, and the cost of living is significantly higher. I have been recruiting Emergency Physicians for our group for 7 years, and it is difficult to compete. We have continual shortages in physician coverage due to the financial differences with competition on the US west coast. This exemption would help narrow the gap and help provide better medical care for our Hawaii population.



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 WAYS AND MEANS

Sen. Donovan Dela Cruz, Chair

Sen. Gilbert Keith-Agaran, Vice Chair

Date: February 19, 2020

Time: 10:00 a.m.

Place: Conference Room 211

From: Hawaii Medical Association

Elizabeth A. Ignacio, MD, Chair, Legislative Committee

Christopher Flanders, DO, Executive Director

Re: SB2542 SD1 - 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



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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 18, 2020

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

From: East Hawaii Independent Physicians Association Board of Directors

Subject: Support for SB2542

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 SB2542 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 Hiramaki 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



HIPHI Board

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JoAnn Tsark, MPH
Secretary
John A. Burns School of
Medicine, Native Hawaiian
Research Office

Kilikina Mahi, MBA
Treasurer & Vice Chair
KM Consulting LLC

Forrest Batz, PharmD
Retired, Daniel K. Inouye
College of Pharmacy

Debbie Erskine
Kamehameha Schools

Keawe'aimoku
Kahalokula, PhD
John A. Burns School of
Medicine, Department of
Native Hawaiian Health

Mark Levin, JD
William S. Richardson School
of Law

Bryan Mih, MD, MPH
John A. Burns School of
Medicine, Department of
Pediatrics

Rachel Novotny,
PhD, RDN, LD
University of Hawaii at Manoa,
College of Tropical Agriculture
and Human Resources

Garret Sugai
Kaiser Permanente

Catherine Taschner, JD
McCorriston Miller Mukai
MacKinnon LLP

Date: February 18, 2020

To: Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair
Members of the Ways and Means Committee

Re: Support for SB 2542, Relating to the General Excise Tax
Exemptions

Hrg: February 19, 2020 at 10:00 at Conference Room 211

The Hawai'i Public Health Instituteⁱ is in **Support of SB 2542**, which exempts medical services provided by physicians and advanced practice registered nurses (APRNs) acting in the capacity as a primary care provider from the general excise tax (GET).

According to the 2019 Hawai'i Physician Workforce Assessment Project Report, the state needs as many as 820 more doctors to satisfy the need for services, with the greatest shortage in primary careⁱⁱ. Primary care providers are critical to improving overall population health, as they provide a medical home, preventative care, early detection and treatment of disease, and chronic disease management.

Part of the reason that physicians leave Hawai'i are due to the lower than average pay and high cost of living. A GET exemption for medical services provided by physicians and APRNs providing primary care would help to alleviate some of the financial burden of operating a private practice and keep physicians practicing in the state.

Thank you for the opportunity to provide testimony.

Mahalo,

A handwritten signature in black ink that reads 'Jessica Yamauchi'.

Jessica Yamauchi, MA
Executive Director

ⁱ Hawai'i Public Health Institute is a hub for building healthy communities, providing issue-based advocacy, education, and technical assistance through partnerships with government, academia, foundations, business, and community-based organizations.

ⁱⁱ University of Hawai'i. (2019). *Annual report on findings from the Hawai'i physician workforce assessment project*. Retrieved from <https://www.ahec.hawaii.edu/workforce/>



LATE

BOARD OF DIRECTORS

President

Michael E. Carney, MD
University of Hawaii Cancer Center

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ASCO State/Regional
Affiliate Program

February 18, 2020

SENATOR DONOVAN DELA CRUZ, CHAIR
SENATOR STANLEY GILBERT KEITH-AGARAN, VICE-CHAIR
MEMBERS OF THE SENATE WAYS AND MEANS COMMITTEE

Re: **Senate Bill (SB) 2542, SENATE DRAFT (SD) 1– SUPPORT**

RELATING TO THE GENERAL EXCISE TAX EXEMPTIONS.

Beginning July 1, 2021, provides a general excise tax exemption for medical services by physicians and advanced practice registered nurses acting in the capacity as a primary care provider.

Dear Chair, Vice-Chair and Members of the Committee:

The Hawaii Society of Clinical Oncology (HSCO) is a local community of oncologists, nurse practitioners, physician assistants, and other allied health professionals who provide a voice for multidisciplinary cancer care teams and the patients they serve. Founded in 1996, HSCO is the largest oncology professional organization in the state.

We SUPPORT SB 2542 SD1 which proposes a general excise tax (GET) exemption for certain medical services. Currently, the GET applies to medical services provided by groups and private practice physicians. However, hospitals and their employed physicians are exempt. Hawai'i is the only state in the nation broadly taxing medical services in this way.

The GET is 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 like Hawaii. Medicare, Medicaid and Private Insurer payments for Medical Services are well below national levels. Community physicians are operating small businesses with narrow profit margins and this GET can make the difference in some practices remaining viable and unviable, resulting in practice closures.

The Legislature is well aware of the state's physician shortage, especially in specialty practices and rural areas. This bill represents one way in which the state can do something immediately that would make a difference to help mitigate this ongoing problem.

Thank you for your consideration of our testimony.

February 19, 2020
10:00 a.m.
Conference Room 211

To: Senate Committee on Ways and Means
Sen. Donovan M. Dela Cruz, Chair
Sen. Gilbert S.C. Keith-Agaran, Vice Chair

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

RE: SB 2542 — 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 SB2542, 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.¹

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."

¹ "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

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

LATE

SB-2542-SD-1

Submitted on: 2/18/2020 5:31:41 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|--|---------------------------|---------------------------|
| Jeannie Botacion | Testifying for MCMANN EYE INSTITUTE | Support | No |

Comments:

The GE Tax Exception will help significantly by decreasing the financial burden placed on physicians to continue serving the Hawaii community and is a step in the right direction toward solving our current physician shortage crisis.

LATE

SB-2542-SD-1

Submitted on: 2/18/2020 9:18:48 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|--------------|---------------------------------------|--------------------|--------------------|
| Dawn Sparks | Testifying for Lighthouse Healing LLC | Comments | No |

Comments:

Aloha Senators,

As a physician with a solo private practice here on Kaua'i and practicing for five years I see how many physicians leave our islands to return to the mainland for more consistent salaries and insurance payments. The physician shortage in Hawaii is real and we need to work together to keep quality medical care in our state. In all honesty, it has become too expensive to maintain private medical practices here in Hawai'i. This along with the increasing burden of regulatory obstacles and delayed insurance payments continue to drive more physicians to leave. This continued physician shortage is detrimental for our communities and limits medical access to specialists as well as stability within primary care practices. Patients and physicians both suffer with this approach. I implore you to please hear and approve SB 2542 which will provide a GET exemption for physicians. This is an important step in making physician run practices viable and providing continuity of care to patients by stopping the physician shortage in Hawai'i. Mahalo nui loa for this gesture on behalf of physician in the State of Hawaii.

Thank you for your time and consideration on this matter.

Truly,

Dr. Dawn A. Sparks
Lighthouse Healing LLC

Kaua'i Hawai'i 96766

Board Member American Society of Pain and Neuroscience

Member of Scientific Programming Committee of the North American Neuromodulation Society

Faculty/Presenter International Neuromodulation Society



HAWAI'I ACADEMY OF FAMILY PHYSICIANS

LATE

February 18, 2020

Committee on Ways and Means
Sen. Donovan Dela Cruz , Chair
Sen. Gilbert Keith-Agaran, Vice Chair

Wednesday, February 19, 2020 10:00 am Conference Room 211
State Capitol
415 South Beretania Street

Senate Bill SB2542
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 **SB2542**, 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 SB2542 as a way to provide immediate support for existing physician practices, preserve current access to care and retain important community small businesses.

Respectfully submitted,

Keola Adams, M.D.
President

Hawaii Academy of Family Physicians Board of Directors

SB-2542-SD-1

Submitted on: 2/15/2020 7:22:22 AM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Jerris Hedges | Individual | Support | No |

Comments:

Operating a physician practice is quite challenging these days as business operations costs are high and growing while reimbursement by insurers continues to decline in terms of real dollars for physicians. Many physicians cannot afford to care for patients on Hawaii Medicaid plans. Even with passage of this bill, there are significant financial advantages to physicians practicing on the continent.

However, this bill does provide a small amount of support for primary care practitioners. There is a similar need for other providers. Many of the specialists in Hawaii are also providing primary care for their patients due to the paucity of primary care providers.

Although not a panacea for all that contributes to our ongoing physician shortage, this bill supporting GET relief for those providing primary care services is a move in the right direction.

Jerris R. Hedges, MD

Dean, John A. Burns School of Medicine

SB-2542-SD-1

Submitted on: 2/15/2020 9:15:27 AM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Stephen Smith | Individual | Support | No |

Comments:

Present at Hearing

Stephen Smith
Individual

Support

Yes

I am a medical doctor who specialized in pathology and laboratory medicine. I also have the privilege of sitting on the board of directors for the East Hawaii Region of HHSC. I have been practicing in Hawaii for 16 years, most of that time in the neighbor islands. All providers use laboratory services, and consequently, I have a continuous information about the providers in my area of service (Hawaii Island). I have seen first hand the challenges of recruiting physicians to replace the aging doctors as they either retire, die, or work deeply into their "golden years".

There are many obstacles to recruitment of physicians in rural, neighbor-island Hawaii. Some of these obstacles cannot be changed, however, others can. Not only is providing these services more costly here, but also, in many instances reimbursements are lower than other areas of the USA.

One cost to physicians in Hawaii that is unique is the GET. It is conspicuous that Hawaii is the only state in the USA that has such a tax on physicians. Why?

Repealing this tax on health care providers is one thing that could help to make Hawaii a more attractive place for physicians to practice.

I urge you to support this bill (SB2542). I believe this will help in our quest to attract more physicians to practice in Hawaii's underserved areas. In addition, I believe that creating a more desirable environment for physicians to move here and set up practice will result in a greater net tax contribution to Hawaii as we augment the number of physicians who contribute taxes in all the other conventional areas.

Respectfully,

Stephen M. Smith, MD

Hilo Medical Center Department of Pathology

SB-2542-SD-1

Submitted on: 2/17/2020 10:59:11 AM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|------------------------|---------------------|---------------------------|---------------------------|
| 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 to low (by national standards) that the docs get.

Quite 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. It's not a good look for our aloha state.

I urge your support passage of this bill SB2542

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-

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-2542-SD-1

Submitted on: 2/17/2020 12:45:18 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|--------------------------|---------------------|---------------------------|---------------------------|
| ELIZABETH ANN IGNACIO | Individual | Support | No |

Comments:

SB-2542-SD-1

Submitted on: 2/17/2020 4:07:13 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Naomi Bikle | Individual | Support | No |

Comments:

Testimony Presented Before the
Senate Committee on Ways and Means
Hearing Date: Wednesday, February 19, 2020

SB 2542 - Relating to General Excise Tax

Chair Donovan M. Dela Cruz, Vice-Chair Gilbert S.C. Keith-Agaran
and Members of the committee:

I am writing in **strong support** of SB2542

Hawaii has a shortage of over 800 physicians, but only 243 job openings for physicians. That means we need over 400 physicians to open practices in Hawaii. However, the number one barrier to practicing in Hawaii is the low reimbursement paired with high cost of living.

For private practice physicians and other healthcare professionals, this is made worse by the fact that the GET tax is charged TWICE for every patient they see with Medicare and Medicaid/MedQuest. Not only do the physicians pay it on their rent, staff, equipment, and everything they purchase to make their practice work. But they are not allowed to charge the patients for the tax on the services that they provide to the patient. Therefore, the physician has to absorb that 4.7% for providing service to that patient in addition to the initial 4.7% on materials purchased. This is a double tax on health care professionals! Hospitals and hospital clinics are exempt from this tax, so it seems that independent practices should be also. We need more doctors to be in independent practice, and this will help!

I ask that you exempt all physicians and other healthcare professionals who help meet the need for services in Hawaii from this double tax.

Thank you for the opportunity to provide testimony.

Kelley Withy, MD, PhD

SB-2542-SD-1

Submitted on: 2/17/2020 4:37:52 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Cynthia J. Goto | Individual | Support | No |

Comments:

SB-2542-SD-1

Submitted on: 2/17/2020 7:38:41 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Michelle Mitchell | Individual | Support | No |

Comments:

I write in strong support of exemption of GET for medical services.

Our islands are suffering a severe physician shortage. Our families, friends, neighbors and community members are unable to access medical care in a timely manner. You have heard and seen these numbers and know that it is getting worse. Dr. Withy's latest study shows that 152 physicians left our islands in 2019 and another 91 retired in the same year. This puts our health into a crisis level.

Our physicians provide healthcare to our community, ensuring a healthy workforce. A worker with no medical conditions averages only 3 unproductive work days annually, while a worker with 2+ medical conditions averages 20 unproductive work days annually. This limits his ability to advance at his job, obtain raises or even continue employment. Employers lose an average of \$1,685/year per employee for absenteeism.

Each physician supports an average of 17 jobs and an average of \$1,417,958 in wages annually. Physicians support more jobs, wages, and economic output than the other 4 comparator industries (higher education, nursing facilities, legal services, home health) in Hawaii combined.

The continued loss of doctors results in lost jobs, lost income and lost taxes, not just lost health and lives.

Until we can find a financially sustainable insurance reimbursement system in Hawaii, we need to provide help to our physicians to ensure they are able to maintain a viable practice - to continue to keep our communities and workforce healthy.

Thank you for this opportunity to testify,

Michelle Mitchell, MD

Hawaii Family Health, Hilo, HI

SB-2542-SD-1

Submitted on: 2/17/2020 9:35:32 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Joey Kohatsu | Individual | Support | No |

Comments:

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee,

My name is Joey Kohatsu, and I am a Physician licensed to practice in the State of Hawaii. I am a Primary Care Physician board certified in Internal Medicine and Geriatric Medicine. I am in small group private practice in Honolulu, Hawaii.

I am writing in STRONG SUPPORT of SB 2542 which provides a general excise tax (GET) exemption for medical services by physicians and advanced practice registered nurses acting in capacity as a primary care provider beginning January 1, 2021.

As you may be aware, Hawaii is one of the few states in our nation to levy a GET on medical services. It has become increasingly challenging to maintain a financially viable medical practice due to rising overhead and generally static and sometimes diminishing reimbursement rates for medical services. Our physician shortage is reaching critical mass and only gets worse with time. The GET exemption will be a breath of fresh air to struggling medical practices and move us one step closer to solving our physician shortage.

Thank you for this opportunity to submit written testimony in STRONG SUPPORT of this measure.

SB-2542-SD-1

Submitted on: 2/17/2020 10:10:48 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| William Wong | Individual | Support | No |

Comments:

Our state is already in critical shortage of physicians and healthcare providers. It is the duty of our legislators to ensure that our citizens' healthcare needs are adequately addressed. Their decisions ultimately affect the lives of our families and loved ones. I support this bill and any others that may help attract and retain physicians and healthcare providers to our State. Most other states are exempt from GE taxes for healthcare, food, clothing, education. Hawaii is always lagging behind the mainland's progress. Act now, or we will forever be behind.

William Wong, Jr.

SB-2542-SD-1

Submitted on: 2/17/2020 10:29:50 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Teresa Parsons | Individual | Support | No |

Comments:

People who need primary care should not have the burden of being taxed for their healthcare.

SB-2542-SD-1

Submitted on: 2/18/2020 5:24:59 AM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| William Scruggs | Individual | Support | No |

Comments:

My name is Timothy Jahraus and I am a partner in Gastroenterology Associates in Hilo. I wanted to highlight for you the difficulty we have had in recruiting a new partner at our practice. I have practiced in Hilo for more than 30 years. For the last 6 years we have tried, without success, to recruit a new partner in our practice. There has been significant interest over the years but the difficulty comes in the high cost of living and the low reimbursement in comparison to other locales.

A few years ago we had 3 fulltime gastroenterologists but we are now down to one aging fulltime provider and one part time physician both of which are over age 63. The wait for a new patient to see me is months in spite of adding hours to my scheduled week. The community is not adequately served in this situation and the current workload is a recipe for burnout.

Our practice provides employment for 17 employees between the practice and our endoscopy facility. These jobs will be lost if we are unable to recruit a new provider soon.

The bill before you would help to allow us to provide a more competitive salary for a newly hired provider and level the playing field to some degree.

Mahalo for your kokua,

Timothy Jahraus, MD

Gastroenterology Associates, Inc.

Hilo, HI

SB-2542-SD-1

Submitted on: 2/18/2020 8:16:10 AM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Jester Galiza | Individual | Support | No |

Comments:

SB-2542-SD-1

Submitted on: 2/18/2020 8:56:59 AM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Michael Wilkerson | Individual | Support | No |

Comments:

LATE

SB-2542-SD-1

Submitted on: 2/18/2020 11:29:48 AM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| cathy wilson | Individual | Support | No |

Comments:

LATE

SB-2542-SD-1

Submitted on: 2/18/2020 11:30:48 AM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Karen Osorio | Individual | Support | No |

Comments:

Aloha,

Thank-you for taking my testimony on this extremely important and necessary measure. Beginning and maintaining a medical practice in Hawaii is VERY difficult. Reimbursements are some of the lowest in the country and as you know the costs of doing business are some of the highest in the country. Hawaii is the ONLY state that levies a General Excise Tax on medical services. While it may seem like no big deal since we should just pass through this cost onto our customers (i.e. patients), for all governmental payers (Medicare, Medicaid, etc.), we cannot legally charge them GET. So for government payers the GET becomes an ABSOLUTE 4.7% slashing of our already marginal reimbursements. The GET is definitely one of the main or top reasons why physicians are fleeing the state and there's a significant physician shortage. I strongly support this bill!

Mahalo,

Karen Osorio

LATE

SB-2542-SD-1

Submitted on: 2/18/2020 12:39:43 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Joseph Borer, M.D. | Individual | Support | No |

Comments:

As a emergency physician and a physician leader in the East hawaii community, I have a good understanding of the limitations we have in Hawaii bringing in new physicians and specialists. The need is great both for specialist and primary care. Especially East hawaii has been underserved as it's very difficult to get new physicians to move to Hawaii because of the high expenses and low income respectively to the mainland. The GET relief that this bill represents, could be a deciding factor on our ability to recruit new primary care and specialist physicians to Hawaii. Please consider enacting this bill that will hopefully help serve our population by bringing in new doctors to improve medical for everyone.

LATE

SB-2542-SD-1

Submitted on: 2/18/2020 2:42:33 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| JOANN | Individual | Support | No |

Comments:

as we are faced with a significant physician shortage , any attempt to keep the established providers here will help!

LATE

SB-2542-SD-1

Submitted on: 2/18/2020 5:20:36 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Bryan Mih | Individual | Support | No |

Comments:

Aloha,

I am a pediatrician in solo practice and I strongly support this measure. The taxation of essential items such as medical care is regressive, making it proportionally more burdensome for those least able to afford it. Children have many scheduled medical visits that are essential to ensure that they receive appropriate health screening and protection. Taxing a necessity such as this means that the families who have children with medical needs are punished simply for needing medical care.

In addition, the administrative burden on physicians is significant, as we are made to be intermediaries in the collection of this tax that is passed onto the state. The vast majority of other states exempt essentials such as physician services from taxation.

Thank you,

Bryan Mih, MD MPH FAAP

Pediatrician

LATE

SB-2542-SD-1

Submitted on: 2/18/2020 6:39:31 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Kyle Stevens | Individual | Support | No |

Comments:

LATE

SB-2542-SD-1

Submitted on: 2/18/2020 8:41:19 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Michael Jaffe | Individual | Support | No |

Comments:

I am in support of SB2542.

As a physican new to private practice here in Hawaii, I have learned Hawaii is 47th in state rankings for lowest physican reimbursement. If you add in the cost of living that drops us to 50th.

Low reimbursement has led to poor physican retention here on the islands effecting healthcare access for our population. Alleviating the added tax burden of the GET will help with keepiing physicians here on Hawaii.

Also, I have noticed some medical offices passing along the GET to patient's copays. As you know, the burden of high copays and high deductables are having a serious effect on healthcare delivery in the USA.

Please pass this law.

Thank you

Michael Jaffe, DO

Physical Medicine & Rehabilitation / Pain Management

Hawaii Brain & Spine

Kailua, Oahu