

JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LIEUTENANT GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

*Ka 'Oihana 'Auhau*

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GARY S. SUGANUMA  
DIRECTOR

KRISTEN M. R. SAKAMOTO  
DEPUTY DIRECTOR

**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 102, Relating to the General Excise Tax

**BEFORE THE:**

Senate Committee on Health and Human Services

**DATE:** Friday, February 3, 2023

**TIME:** 1:00 p.m.

**LOCATION:** State Capitol, Room 225

Chair San Buenaventura, Vice-Chair Aquino, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding S.B. 102 for your consideration.

S.B. 102 amends section 237-24.3(6), Hawaii Revised Statutes, which provides a general excise tax exemption for amounts received by a hospital, infirmary, medical clinic, health care facility, pharmacy, or licensed medical practitioner for selling prescription drugs or prosthetic devices to an individual, by expanding the exemption to include services provided by the hospital, infirmary, medical clinic, health care facility, pharmacy, or licensed medical practitioner. The measure takes effect on July 1, 2023.

The Department notes that the intent of this measure is to exempt gross receipts received from providing services that are medical in nature, however, the language in the bill broadly applies to any services performed by a hospital, infirmary, medical clinic, health care facility, pharmacy, or licensed medical practitioner. The Department recommends amending the bill to specify that the exemption applies only to "medical services" and that a definition of "medical services" be added which states that the professional services must be medical in nature, such as professional services that relate to the diagnosis, prevention, or treatment of human disease or impairment or the assessment or care of the health of human beings.

Further, the Department requests that the effective date of this measure be amended to January 1, 2024 to allow the Department sufficient time to make the

necessary form and computer system modifications.

Thank you for the opportunity to provide comments on this measure.



February 3, 2023

1 p.m.

VIA VIDEOCONFERENCE

Conference Room 225

**To: Senate Committee on Health and Human Services**

**Senator Joy A. San Buenaventura, Chair**

**Senator Henry J.C. Aquino, Vice Chair**

**From: Grassroot Institute of Hawaii**

**Ted Kefalas, Director of Strategic Campaigns**

RE: SB102 — RELATING TO THE GENERAL EXCISE TAX

***Comments Only***

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on [SB102](#), which would provide a general excise tax exemption for services provided by a hospital, infirmary, medical clinic, health care facility, pharmacy or licensed medical practitioner.

With this bill, the Legislature would bring Hawaii into the mainstream of states that do not tax medical services. At present, Hawaii is one of only two states that levies a tax on medical services and the only state to tax Medicare and TRICARE.

Though nonprofit facilities are currently exempt from the GET, private practice physicians are not. Thus, private practice doctors and clinics must pay the 4% GET plus any county surcharge. As the Grassroot Institute explains in its new report, "[The case for exempting medical services from Hawaii's general excise tax](#)," the GET becomes a significant expense for doctor offices, making it difficult for such practices to thrive in our state.

A further problem comes with the application of the GET to TRICARE, Medicare, and Medicaid beneficiaries. As explained in the Grassroot Institute report, the GET cannot legally be passed on to TRICARE or Medicare patients, forcing doctors to absorb those costs entirely.

Similarly, in the case of Medicaid, doctors are forced to either pursue an indigent patient for their share of the GET, which may result in higher administrative costs than can be recouped, or deny service based on the patient's inability to pay the tax.

Under the circumstances, many private practice doctors consider it impossible to pass the tax on to Medicaid patients as well.

The result is that physicians are either disincentivized from treating Medicare, Medicaid and TRICARE patients or forced to absorb the GET for those patients.

Fortunately, there is a simple and effective solution, as described in this bill: creating a GET exemption for medical services.

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

Healthcare spending for medical services in Hawaii totals about \$9 billion a year, of which the for-profit private sector accounts for \$5 billion. An exemption from the state's 4% 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 would result in substantial savings for individual practices. According to the Grassroot Institute study, the savings from that base 4% 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.

Given that the state is projecting a surplus of more than \$10 billion over the next four years, the budget could easily absorb the expense of this exemption.

There are other possible benefits to this exemption. Not only would it help reduce the cost of medical care for Hawaii residents, it likely would help alleviate the state's doctor shortage.

The most recent report from the Hawaii Physician Workforce Assessment Project estimates that the state has an unmet need for 776 full-time equivalent physicians. The largest area of need is in primary care, but there are significant shortages across multiple specialities.

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<sup>1</sup> "How the state GET affects healthcare costs in Hawaii," Grassroot Institute of Hawaii, January 2020, [www.grassrootinstitute.org/wp-content/uploads/2020/01/How-the-state-GET-affects-health-care-costs-in-Hawaii.pdf](http://www.grassrootinstitute.org/wp-content/uploads/2020/01/How-the-state-GET-affects-health-care-costs-in-Hawaii.pdf)

The COVID-19 crisis helped emphasize the importance of improving healthcare access in Hawaii. It also demonstrated that we must pursue multiple strategies to address the shortage of healthcare professionals in the 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.

It is hard to know exactly how beneficial a GET exemption for medical services would be, but it would at least remove a major burden for existing local practices. If this bill prevents more doctors and clinics from leaving the state or closing, it will have accomplished its goal.

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. We think healthcare is at least as important as any of those industries, if not more so, and I would hope that the members of this committee think so too.

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

Thank you for the opportunity to submit our comments.

Sincerely,  
Ted Kefalas  
Director of Strategic Campaigns  
Grassroot Institute of Hawaii

**SB-102**

Submitted on: 1/31/2023 7:58:11 PM

Testimony for HHS on 2/3/2023 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Scott Grosskreutz, M.D.	Testifying for Hawaii Provider Shortage Crisis Task Force	Support	Remotely Via Zoom

Comments:

Dear Senators,

Hawaii’s healthcare provider community would like to express our deep appreciation for the Senate’s past support of GET reform for healthcare services. In the 2020 session, the Senate voted to pass SB2542, exempting services by APRNs and doctors by a vote of 25-0. That bill was not heard by the House, as the session was cut short by the pandemic.

Hawaii’s access to care crisis has worsened since the COVID pandemic, which has severely stressed our healthcare system. In the Access to Care statewide survey by the Hawai’i Rural Health Association and Community First, many patients report delays in healthcare and almost 20% of respondents were considering moving from the state or their island to find care.



Nearly half of healthcare providers were considering leaving medicine, retiring, cutting hours or leaving the state.



The unfortunate fact is that many private medical practices in Hawai’i are under serious financial stress. Many are losing money and facing closure. This is simple to understand from a business perspective. Nation wide many medical practices report breaking even providing care to Medicare patients. Almost all practice lose money caring for Medicaid patients. Hawaii is the

only American state which taxes Medicare, Medicaid and TriCare medical care, which is half of Hawaii's population. Healthcare providers have to absorb this tax, which federal Medicare and TriCare policies forbid passing to patients. The GET taxes gross revenues, even when practices lose money providing care, which makes many if not most practices non-profitable.



To make things worse reimbursements are decreasing from Medicare and local insurance companies despite medical inflation that exceed the CPI. There is no business in the world that can long survive with constantly increasing costs and falling revenues.



There is no more optimal time to pass a GET exemption for healthcare than with billion dollar budget surpluses. The Healthcare Association of Hawai'i has noted that if the GET was applied to our hospitals, many would have to close or cut back services. The GET is a practice killer for our private medical practices, and in a few years few will remain. That would result in the worst of all possible worlds, where the revenues from GET taxation of healthcare trend toward zero, and a healthcare disaster where lack of access to healthcare results in worsening healthcare outcomes, with severe disparities on our Neighbor Islands. Hawaii is already dead last in the number of providers able to accept Medicare patients.



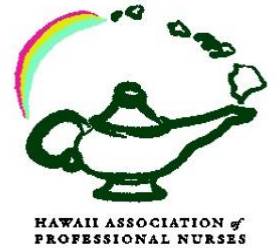
The patients are the ones who suffer. This afternoon I spoke to a very nice woman at our Hilo mammography center who had a palpable breast mass since July. She could not find a health providers to refer her for workup. Her large cancer was invading the skin with metastatic adenopathy. This is over 15 patients that I have seen present with advanced disease because they could find a primary care provider in East Hawaii in the last year.

Scott Grosskreutz, M.D., FACR

Hawaii Provider Shortage Crisis Task Force.



## Hawai'i Association of Professional Nurses (HAPN)



To: The Honorable Senator Joy San Buenaventura, Chair of  
the Senate Committee on Health and Human Services; and

From: Hawaii Association of Professional Nurses (HAPN)

Subject: SB102 – Relating to the General Excise Tax, in Support

Hearing: February 3, 2023, 1p.m.

Aloha Senator San Buenaventura, Chair; Senator Aquino, Vice Chair; and Committee Members,

Thank you for the opportunity to submit testimony regarding SB102. HAPN stands with countless community organizations, private practices throughout the state, and all residents of Hawaii who receive healthcare. HAPN believes that healthcare access in Hawaii is at a point where provider supply is not in line with healthcare demand. As such, HAPN is in **Support** of removing the General Excise Tax (GET) on all services that are provided by **Advanced Practice Registered Nurses, Physician Assistants (Physician Associates), and Physicians. This GET exemption must include care provided by primary care providers and specialists.**

Our organization has always supported patient access to care in our communities and we are seeing a fast erosion of care due to clinic closures or providers no longer practicing. This is happening for many reasons to include providers moving out of state for more favorable business environments; provider retirement or death; poor reimbursement from all insurance plans to include private, state, and federal sinking clinics trying to provide care; and insurance reimbursement received not in line with the cost of doing business and the cost of living. In the Access to Care statewide survey by the Hawai'i Rural Health Association and Community First, nearly half of healthcare providers were considering leaving medicine, retiring, cutting hours or leaving the state. Hawaii is the only American state which taxes medical care. Healthcare providers have to absorb this tax, which federal Medicare and TriCare policies forbid passing to patients. The GET taxes gross revenues, even when practices lose money providing care, which makes many practices non-profitable.

HAPN's mission, to be the voice of APRNs in Hawaii, has been the guiding force that propelled us to spearhead the advancement of patients access to healthcare as well as supporting the recognition of the scope of practice for APRNs in Hawaii which led us to full practice authority. We have worked to improve the physical and mental health of our communities. As our ability to provide close care with our patients progressed, we also opened up our own clinics to provide the care our patients deserve. APRNs have played an important role in the healthcare of our communities and we will continue to be by our patients' side.

HAPN respectfully asks your Committee to pass this bill. Thank you for the opportunity to share the perspective of HAPN with your committee. Thank you for your enduring support of the nursing profession in the Aloha State.

Respectfully,  
Dr. Jeremy Creekmore, APRN  
HAPN President

Dr. Bradley Kuo, APRN  
HAPN Legislative Committee, Chair  
HAPN Past President

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Exemption for Medical Services

BILL NUMBER: SB 102

INTRODUCED BY: INOUYE, CHANG, MCKELVEY, Wakai

EXECUTIVE SUMMARY: Exempts services provided by a hospital, infirmary, medical clinic, health care facility, pharmacy, or licensed medical practitioner from the general excise tax.

SYNOPSIS: Amends section 237-24.3(6), HRS, to so provide.

EFFECTIVE DATE: July 1, 2023.

STAFF COMMENTS: As stated in the bill's preamble, medical services rendered at a nonprofit hospital, infirmary, or sanitarium are exempt from the tax, whereas the same services rendered by individual or group practices or clinics are fully taxable. Insurance providers and Medicare do not compensate for the tax differential, leading some health care providers to bear additional economic costs.

This problem is especially acute when the payer is a governmental health program. Medicare regulations (42 CFR sec. 424.55(b)) prohibit the surcharging of most additional costs to patients, including taxes. Medicare Claims Processing Manual, ch. 23, sec. 80.3.1.A (<https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads-/clm104c23.pdf>). We understand that Medicaid and TRICARE have similar prohibitions.

In the meantime, there is a physician shortage in Hawaii that has been well documented. The final Hawai'i Physician Workforce Assessment Project Report for 2020 ([https://www.hawaii.edu/govrel/docs/reports/2021/act18-sslh2009\\_2021\\_physician-workforce\\_annual-report\\_508.pdf](https://www.hawaii.edu/govrel/docs/reports/2021/act18-sslh2009_2021_physician-workforce_annual-report_508.pdf)) conducted by the University of Hawai'i at Mānoa John A. Burns School of Medicine (JABSOM) and submitted to the Hawai'i State Legislature in December 2020, the pandemic has challenged continued physician practice in Hawai'i and is expected to increase the relative shortage of physicians for the state for the next several years as older physicians leave their practices.

Some physician groups have alleged that the GET applied to medical services has been one of the drivers of this shortage. This assertion is backed up by the 2008-2010 experience of Hawaii Medical Center (HMC), a for-profit hospital which went into bankruptcy and tried to reorganize as a nonprofit. That plan, according to HMC's then-CFO, would relieve the hospitals of as much as \$6 million in annual taxes, including general excise and property taxes.

The Foundation does believe that there is evidence supporting an industry-specific GET exemption here.

Digested: 2/1/2023

Michael Traub, ND, FABNO  
Lokahi Health Center  
75-5591 Palani Rd. Suite 201  
Kailua Kona, Hawaii 96740  
Phone 808-329-2114  
Fax 808-326-2871  
[Traub.michael@gmail.com](mailto:Traub.michael@gmail.com)

January 31, 2023

Re: SB102

Hearing Friday February 3, 2023 1:00 pm

Committee on Health and Human Services  
Senator Joy A. San Buenaventura, Chair  
Senator Henry J.C. Aquino, Vice Chair

There are several bills scheduled for this hearing that pertain to exemptions to the Hawaii General Excise tax.

Some of them, such as SB102, contain provisions that would exclude naturopathic physicians (NDs) and should be amended to be inclusive. SB102 would be discriminatory in its present version.

Mahalo for your consideration.

Sincerely,

Michael Traub ND

# THE KŪPUNA CAUCUS



**Feb 1 2023**

**TO: The Committee on Health and Human Services  
Chair Senator Joy A San Buenaventura  
Vice Chair Senator Henry J.C. Aquino**

**Concerning: SB314, SB397, SB404, SB102, SB761, SB1477, SB1035, SB1118, SB1128,  
SB1134, SB1239, SB1348**

**POSITION: Enthusiastic Support of all bills**

**ALOHA Chair Buenaventura and Vice Chair Aquino, and all members of the committee**

**On behalf of the Kupuna Caucus' Health and Medical Services sub-committee I am testifying in support of all of the proposed legislation as listed above.**

Each one represents a vital step towards keeping our medical professionals here in Hawaii and keeping practitioner offices open for everybody but especially for seniors who often depend on Medicare and Medicaid for health related care and procedures.

Currently it is almost impossible for individual doctors to maintain their own offices without 2 to 4 additional doctors sharing the financial burdens. The extraordinary amount of insurance related paperwork they must file to get paid is over whelming and complicated and often redundant. They have to hire accounting specialists to deal with it so only Medical Corporations survive under those conditions.

I have done my own research and ever single doctor I spoke with (and every doctor my friends/fellow seniors from precinct 2 District 27spoke with) said that the one thing that is affecting them the most are the State's excise taxes which are being addressed in SB102, 761, 1472, 1035, 1118, 1128,1134,1239, and 1348.

When patients receive a bill, they usually do not pay the tax themselves, even if their insurance Company does not pay the tax. The same applies to medical products, prescriptions, any and all support services provided by health and medical practices. In addition Medicare and Medicaid covered bill also never pay the state tax leaving the practitioners or health related institutions and facilities to cover the taxes out of pocket. A number of doctors do not accept Medicare and/Medicaid covered clients or are forced to refer current clients to other medical groups for that reason. This is as concerning as the shortage of doctors all over the state. These bills are what our state can do to encourage them to stay.

Martha E Randolph  
Precinct 2 Rep, District 27 Council  
DPH Environmental Caucus SCC Representative and  
Member of the DPH Legislative Priorities Committee

Friday, February 3, 2023 at 1:00 PM  
Via Video Conference; Conference Room 225

**Senate Committee on Health and Human Services**

To: Senator Joy San Buenaventura, Chair  
Senator Henry Aquino, Vice Chair

From: Michael Robinson  
Vice President, Government Relations & Community Affairs

Re: **Testimony in Support of SB 102  
Relating To The General Excise Tax**

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My name is Michael Robinson, and I am the Vice President of Government Relations & Community Affairs at Hawai'i Pacific Health. Hawai'i Pacific Health is a not-for-profit health care system comprised of its four medical centers – Kapi'olani, Pali Momi, Straub and Wilcox and over 70 locations statewide with a mission of creating a healthier Hawai'i.

**HPH writes in support of SB 102** which exempts services provided by a hospital, infirmary, medical clinic, health care facility, pharmacy or licensed medical practitioner from the general excise tax.

The imposition of the general excise tax is inconsistent depending on the structure of the facility and whether or not the provider practices in a group setting or individually. Medical services rendered at a nonprofit hospital, infirmary, or sanitarium are exempt from the general excise tax, while the same services rendered by a for-profit hospital or individual or group practices or clinics are fully taxable, leading to some inconsistency in the economic impact to health care providers. Additionally, tax exemptions are allowed for various non-medical services including aircraft leasing and maintenance, convention expenses, petroleum refining and orchards. In light of the disparate tax structure combined with the low reimbursement for services rendered to patients having Medicaid, Medicare, and TRICARE, Hawai'i faces challenges recruiting physicians and other health care providers to the state.

This measure provides consistency in the manner in which the general excise tax is applied throughout the health care industry.

Thank you for the opportunity to testify.

**SB-102**

Submitted on: 2/2/2023 9:06:10 AM

Testimony for HHS on 2/3/2023 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Erik Masayuki Shipley	Testifying for Erik M Shipley, MD; Kahala Clinic for Children and Family; Brain Health Hawaii	Support	Written Testimony Only

Comments:

Outpatient clinics, privately run, are efficient avenues for treatment. They are more personal for patients and the quality of care is better because of continuity. This bill, if passed, would directly support private clinics in further improving quality of care, reduce burnout, and increase resources to providers in enhancing their clinic operations.

Additionally, Hawai'i is currently 1 of 2 states in the USA that taxes medical services. It's time to support all healthcare workers in Hawai'i.

Thank you.

**LATE**

**SB-102**

Submitted on: 2/2/2023 1:24:55 PM  
Testimony for HHS on 2/3/2023 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Keith Marrack	Testifying for Hawaii Island Chamber of Commerce	Support	Written Testimony Only

Comments:

Dear Senators,

The Hawai'i Island Chamber of Commerce Economic Development Committee recently hosted Dr. Lynda Dolan and Dr. Dan Belcher to get a better handle on the challenges facing private practice physicians in the state. One of the issues they brought up is the general excise tax (GET). While federal and state facilities are exempt, private practice physicians are required to pay the GET for their services. They can pass this cost on to private payers, but the federal government prohibits them from passing these costs on to Medicare and Medicaid patients. So basically they are forced to eat this cost. Hawai'i already has the lowest Medicare and Medicaid reimbursement rates in the nation and these rates are set to be cut by 8% in 2023. In addition, 50% of patients in the state are covered by Medicare and Medicaid. We are already 1000 doctors short across the state and 300 on Hawai'i Island alone. We should be doing everything we can to make it attractive for a physician to be in Hawai'i.

As such, we strongly encourage you to support the exemption of all medical practices from the GET. This will benefit current physicians and make it more attractive for future physicians to want to work and stay in Hawai'i. We are one of only two states in the nation that taxes medical care, and the results are being felt as physicians choose to practice elsewhere, retire, or change careers. Private physicians in East Hawai'i take care of about 1/3 of all patients. They are critical to our health care needs and the needs of prospective employers and employees. If we can't get the needed coverage on the island, business will choose to go somewhere else.

Thank you for doing all you can to support our local physicians so they can provide the healthcare we so badly need in the state and on the Island.

Aloha,

Keith Marrack

Hawaii Island Chamber of Commerce Vice President and Economic Development Chair

# PETER L. FRITZ

TELEPHONE (SPRINT IP RELAY): (808) 568-0077

## THE THIRTY-SECOND LEGISLATURE REGULAR SESSION OF 2023

### COMMITTEE ON HEALTH AND HUMAN SERVICES

Testimony on S.B. 102  
Hearing: February 3, 2023

#### RELATING TO THE GENERAL EXCISE TAX

Chair San Buenaventura, Vice Chair Aquino and members of the Committee, my name is Peter Fritz. I am an individual with a hearing disability and a tax attorney. I am testifying today **in support** of S.B. 102 and have attached a minor amendment that would exempt prescription hearing aids from the General Excise Tax (GET). Exempting prescription hearing aids will benefit Hawaii's kupuna who may have a fixed income and the disabled by making prescription hearing aids more affordable. Exempting prescription hearing aids will benefit Hawaii because hearing aids have the potential of reducing dementia. I respectfully request that the Committee amend this bill to exclude prescription hearing aids from Hawaii's GET.

This bill exempts services provided by a hospital, infirmary, medical clinic, health care facility, pharmacy, or licensed medical practitioner from the GET. The proposed amendment would exempt prescription hearing aids from the GET making hearing aids more affordable. The justification for this amendment appears below.

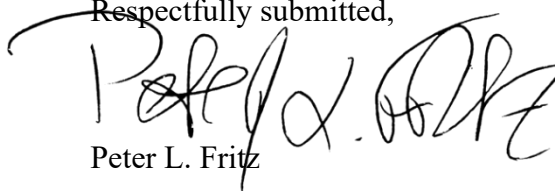
**Hearing loss is now known to be the largest modifiable risk factor for developing dementia, exceeding that of smoking, high blood pressure, lack of exercise and social isolation, according to an international analysis<sup>1</sup> preventing or treating hearing loss in midlife has the potential to diminish the incidence of dementia by 9 percent.**

Difficulty hearing can impair brain function by keeping people socially isolated and inadequately stimulated by aural input. The harder it is for the brain to process sound, the more it has to work to understand what it hears, depleting its ability to perform other cognitive tasks. Information that is not heard impairs the brain's ability to remember it. An inadequately stimulated brain tends to atrophy.

Under normal circumstances, cognitive losses occur gradually as people age and the wisest course may well be to minimize and delay them as long as possible and in doing so, reduce the risk of dementia. Reducing the cost of prescription hearing aids by exempting prescription hearing aids from Hawaii's GET helps to make them more affordable.

Thank you for the opportunity to testify.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Peter L. Fritz', written over a horizontal line.

Peter L. Fritz

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<sup>1</sup> The Lancet 2017, Vol. 390, No. 10113. [http://dx.doi.org/10.1016/S0140-6736\(17\)31756-7](http://dx.doi.org/10.1016/S0140-6736(17)31756-7)



Proposed Amendment to exempt prescription hearing aids from Hawaii's GET. Changes are in red type.

(6) Amounts received by a hospital, infirmary, medical clinic, health care facility, pharmacy, or a practitioner licensed to administer the drug to an individual for selling prescription drugs, prescription hearing aids or prosthetic devices to an individual~~;~~ ~~provided that this paragraph shall not apply to any amounts received for services provided in selling prescription drugs or prosthetic devices.]~~ and for services provided by the hospital, infirmary, medical clinic, health care facility, pharmacy, or licensed medical practitioner. As used in this paragraph:

"Prescription drugs" are those drugs defined under section 328-1 and dispensed by filling or refilling a written or oral prescription by a practitioner licensed under law to administer the drug and sold by a licensed pharmacist under section 328-16 or practitioners licensed to administer drugs; provided that "prescription drugs" shall not include cannabis or manufactured cannabis products authorized pursuant to chapters 329 and 329D; and

"Prosthetic device" means any artificial device or appliance, instrument, apparatus, or contrivance, including their components, parts, accessories, and replacements thereof, used to replace a missing or surgically removed part of the human body, which is prescribed by a licensed practitioner of medicine, osteopathy, or podiatry and that is sold by the practitioner or that is dispensed and sold by a dealer of prosthetic devices; provided that "prosthetic device" shall not mean any auditory, ophthalmic, dental, or ocular device or appliance, instrument, apparatus, or contrivance;

**SB-102**

Submitted on: 1/31/2023 9:11:33 PM

Testimony for HHS on 2/3/2023 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Kimberly Matsunaga	Individual	Support	Written Testimony Only

Comments:

APRNs and nursing in general looks at a patient as a whole. Why do nurses and APRNs get punished for wanting a more personable approach to medicine?! Why should medical clinics be exempt from general excise tax (GET) when services are provided by an APRN? Honestly, more patient attention and patient satisfaction come from nursing care! I support SB1128, SB102, SB761 and oppose SB1134 as it specifically excludes cosmetic procedures.

**SB-102**

Submitted on: 2/1/2023 4:00:16 PM

Testimony for HHS on 2/3/2023 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Dr. Guy Yatsushiro	Individual	Support	Written Testimony Only

Comments:

Support

**SB-102**

Submitted on: 2/1/2023 4:08:06 PM

Testimony for HHS on 2/3/2023 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Dara Yatsushiro	Individual	Support	Written Testimony Only

Comments:

Stand in SUPPORT

**SB-102**

Submitted on: 2/2/2023 10:13:56 AM

Testimony for HHS on 2/3/2023 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Chad Imanaka	Individual	Support	Written Testimony Only

Comments:

Strongly support this to increase health care provider incentives to continue or bring in more providers who may be consider moving to Hawaii to practice. This can in turn potentially help to reduce the shortage of health care providers in Hawaii.

**SB-102**

Submitted on: 2/2/2023 11:15:08 AM

Testimony for HHS on 2/3/2023 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Esther Smith	Individual	Support	Written Testimony Only

Comments:

Once a week in the year 2023 I have recommended a patient move to the mainland to receive care for a life-threatening condition because providing adequate care to patients on Big Island has gone from difficult to sometimes impossible. When I complained to my colleagues who practice on Oahu I was shocked to learn the challenges I thought were unique to the neighbor islands exist on Oahu. These include but are not limited to long wait times for diagnostic tests and appointments with specialists. Lack of access and delays in care result in advanced disease and death. The provider shortage crisis has inevitably become a health care crisis.

Health care in Hawaii’s number one rating in US News and World report is a mirage that policy makers and health insurance companies conjure in to justify inaction. They use the argument that “we are number one for healthcare” to rationalize continuing systemic low reimbursement and punitive taxes while denying the deteriorating, dysfunctional health care system. Having the longest life expectancy in the nation is not a product of a robust healthcare system but is rather a gift from the islands and the culture it inspires. The people who live in Hawaii have lower rates of smoking and obesity, the beauty of the islands and the sprit of Aloha -that is why they live longer. Further US News and World Report also fails to appreciate that having an insurance card does not equal having access to care.

Increasing reimbursement is a crucial step in improving patient care and halting ongoing closures. SB397 would make Medicaid fees equal to Medicare fees. Medicaid in this state pays primary care approximately 53% of what is paid by Medicare. (Kaiser Family Foundation 2019) It is worth noting that Hawaii already has one of the lowest Medicare acceptance rates in the nation, Medicaid is markedly worse. Clinics and hospitals are operating in the red largely due to this unsustainable level of funding. Increases to Medicaid fee payments are a better way to address the health care crisis than grants. Grants can be distributed ineffectively or funneled to special interest groups: Paying more for care ensures that the people providing the care can keep their clinics and hospitals open.

The General Excise Tax on health care dis-incentivizes taking care of Medicare, Medicaid patients and our veterans because the taxes on healthcare services must be paid by the provider – by federal law. The financial impact of the tax is far greater than it would appear. If a clinic were to provide \$1,000,000 in services and like at my clinic 75% of them were Medicare, Medicaid and veterans then the tax that the clinic would pay on those services would be \$30,000. 85% or more of what the clinic brings in is spent of health insurance, wages and other overhead. This leaves \$150,000 in actual wages to the physician before taxes. After taxes this is about \$110,000 – this means the actual impact of the GET on the physician is more like 25% than 4. SB102, SB 761, SB SB1118, SB1128 would make a serious impact on health facilities all over the state.

It has been argued that the provider shortage is not due to punitive taxes or low reimbursement- Instead, we are told the lack of doctors is because it is difficult to train enough docs to keep up with retirements and people going to the mainland. Further it is said that the goal shouldn't be to replace doctors because health care is evolving. And it is evolving, it is evolving to a system where the people who rely on Medicare and Medicaid are served by CVS minute clinics, giant health systems and overburdened federally qualified access clinics while the prosperous are seen by the few remaining private practice physicians who have been forced stopped taking insurance altogether.

It doesn't have to be this way but it soon will be. We do not have to lose the small clinics the same way we lost the mom and pop pharmacies My own clinic teeters at the edge of closure. My nurse practitioner is taking a voluntary leave of absence to ease the strain because her seeing more patients doesn't cover the costs. In our seeing more people actually loses us money. This month, instead of being paid, I have started using my retirement savings that I accrued before I moved to Hawaii to meet our expenses. This is the final stand for us. Removing the GET from healthcare and paying for Medicaid services at the same rate as Medicare will save clinics and hospitals. It may be too late for mine, even if these bills were to be enacted today, but you can save other facilities. In saving the clinics and hospitals you will be saving people. Please act now.





**SB-102**

Submitted on: 2/2/2023 11:46:24 AM

Testimony for HHS on 2/3/2023 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Jennifer A Cook	Individual	Support	Written Testimony Only

Comments:

I support the exemption of the GET tax for healthcare facilities, medical clinics, hospitals and healthcare providers rendering medical services.

Respectfully,

Jennifer A Cook, DNP, CNM, FACNM, FNP-c

February 2, 2023

Dear Legislatures,

Thank you for your consideration of SB1035, SB761, SB102, SB1128, and SB1239 as it relates to GET exemption of medical services. I am writing as a young physician who will hopefully be taking care of our aging Hawaii community hopefully for decades to come. I am writing about the future of healthcare for the people of Hawaii, particularly patients with Medicare, Medicaid, and Tricare insurance.

Hawaii has the lowest rate of Medicare acceptance in the entire Nation. Hawaii also has one of the lowest rates of young physicians per capita. Hawaii is consistently ranked as the worst or top 3 worst states to work in as a physician. We have a physician shortage in Hawaii, particularly on the neighbor islands, especially in this pandemic. The physicians on Oahu are tasked with caring for patients from all islands. It is increasingly more difficult to obtain a visit with a primary care doctor or a specialist. These problems will only get worse if we do not take active steps towards finding a resolution.

The problem is multifactorial and we must address all root causes – some of these are economic. The Hawaii GE tax laws is part of the problem for both patients and physicians. Hawaii is only one of two states that taxes healthcare in America. Physicians pass-through the GET to patients with private/commercial insurance. This is particularly financially impactful if a patient has a procedure such a colonoscopy to screen for colon cancer or need surgery for a heart bypass. Is it unethical to tax patients for medical care that is medically necessary? Why do patients have to pay a \$50+ tax to get their colonoscopy? Why are we only one of two states in America (New Mexico being the other) to tax patients when they are sick or trying to get/stay healthy?

On the physician side, the GE tax is most relevant for physicians who take care of patients with Medicare/Medicaid/Tricare, our more vulnerable population of patients. **The GE tax cannot be legally passed on to patients with Medicare/Medicaid/Tricare.** Hawaii already has one of the lowest Medicare reimbursements in the nation and the GE tax amplifies this further. The GE tax directly contributes to why Hawaii has the lowest Medicare acceptance rate in the entire nation despite having one of the highest rates of seniors per capita.

Many of my colleagues have had to make the difficult decision to discharge their patients once they transition to Medicare and or Medicaid because it is economically unsustainable to continue to provide care services with up to a 4.712% margin reduction off gross reimbursements. Can you imagine being a patient and not being able to see your doctor of 20+ years anymore just because you are retired and have Medicare? These patients shift to centers such as ours, but we are overwhelmed and unable to accommodate such large volume of patients in a timely manner. Please help us. We need more doctors to accept Medicare, Medicaid, and Tricare.

**The truth is this: Physicians have a choice to not accept Medicare/Medicaid/Tricare patients and have been making that choice because it is the path of least resistance. Patients with Medicare/Medicaid/Tricare do not have a choice. The GET is not a physician's problem, this is a patients' problem affecting healthcare access and options.**

I am writing because my wait time for new consultations is typically > 6 months and very often longer. This is the case for many physicians and it is unreasonable to ask patients who are ill to wait this period of time. I am sure that you or a family member have experienced unnecessary delays in seeing a physician in a timely manner. For some patients, this time may mean the difference between life and death. We need more physicians to serve the people of Hawaii.

I have been seeing more and more young and talented physicians leave the state of Hawaii. I have young physician colleagues who won't return to the state of Hawaii to work because the math is very simple for them: they get paid more everywhere outside of Hawaii, they get taxed far less, and have a lower cost of living. We need more physicians in Hawaii and we must plant the seeds now. GE tax reform will directly help with this physician shortage especially for Medicare/Medicaid/Tricare patients and resolve the unethical issue of taxing patients for being ill. We need reform. We need your action.

With gratitude for your consideration of GE tax reform,

Cindy Pau, M.D.

References: Medicare regulations (42 CFR sec. 424.55(b)) prohibit the surcharging of most additional costs to patients, including taxes. Medicare Claims Processing Manual, ch. 23, sec. 80.3.1.A (<https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/clm104c23.pdf>) .