

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau

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HONOLULU, HAWAII 96809

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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:**

H.B. No. 1675, Relating to the General Excise Tax.

**BEFORE THE:**

House Committee on Health & Homelessness

**DATE:** Wednesday, February 14, 2024

**TIME:** 8:30 a.m.

**LOCATION:** State Capitol, Room 329

Chair Belatti, Vice-Chair Takenouchi, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 1675 for your consideration.

H.B. 1675 adds a new section to chapter 237, Hawaii Revised Statutes (HRS), creating a new general excise tax (GET) exemption for all of the gross proceeds arising from the sale of medical services provided by physicians and advanced practice registered nurses (APRNs) acting as primary care providers. The term "medical services" means professional services, includes services provided within hospitals, medical clinics, and private medical practices, that are performed by licensed practitioners pursuant to chapters 453 or 457, HRS ("Medicine and Surgery" and "Nursing," respectively). This act is effective upon approval and applies to proceeds received beginning on January 1, 2025.

The Department suggests adding a definition for "primary care provider" to avoid ambiguity as to the types of medical specialties and nature of services that may qualify for the exemption.

Additionally, the Department requests that the effective date of this measure be postponed until January 1, 2026. Given the definitional complexity and potential breadth of this proposed exemption, this delay should help provide sufficient time to draft any necessary administrative rules, make the required form, instruction, and computer system changes, and provide taxpayer education about the change in GET law.

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



**STATE HEALTH PLANNING  
AND DEVELOPMENT AGENCY**  
DEPARTMENT OF HEALTH - KA 'OIHANA OLAKINO

**JOSH GREEN, M.D.**  
GOVERNOR OF HAWAII  
KE KIA'AINA O KA MOKU'AINA 'O HAWAII

**KENNETH S. FINK, MD, MGA, MPH**  
DIRECTOR OF HEALTH  
KA LUNA HO'okele

**John C. (Jack) Lewin, M.D.**  
ADMINISTRATOR

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1177 Alakea St., #402, Honolulu, HI 96813 Phone: 587-0788 Fax: 587-0783 www.shpda.org

**House Committee on Health and Homelessness**  
**Honorable Chair Della Au Belatti,**  
**Vice Chair Jenna Takenouchi,**  
**and Committee Members**

**H.B. 1675 Relating to the General Excise Tax**

**Testimony of John C. (Jack) Lewin, M.D.**  
**SHPDA Administrator**

**Wednesday, February 14, 2024**  
**8:30 a.m.**

1 **Agency's Position: SUPPORT**

2 **Fiscal Implications: none**

3 **Purpose and Justification:** SHPDA is evolving into the State's oversight body for assuring  
4 universal access to high-quality, equitable, and affordable health and long-term care for ALL  
5 citizens. As such, we are concerned about the glaring Hawai'i health care workforce shortage  
6 issues, which are getting worse and adversely affect access to care and therefore health  
7 outcomes.

8 Hawai'i is one of two states that apply the general excise tax (GET) to the medical  
9 practice income of physicians, advanced practice nurses, physician assistants, and other  
10 independent practice health care professionals.

11 HB 1675 would exempt independent primary care practices from the GET. The GET  
12 currently does not apply to hospitals or to physicians and other professionals employed by  
13 hospitals, Kaiser Permanente, and other larger systems. However, independent practices,

1 critically important for access to care, are the “endangered species” of the workforce shortage  
2 of health professionals, who are retiring early in larger numbers, and often departing for the  
3 mainland to improve financial viability, with the opportunity for both higher incomes and the  
4 absence of a GET tax burden. The result is an increasing access to care problem affecting  
5 most severely neighbor island and rural populations, kūpuna, and high-risk patients. Lower  
6 access to care results in poorer health outcomes and higher health care costs.

7 In our view, the GET exemption for independent medical practices should likewise apply  
8 to affected specialty practices. Specialists are also in short supply in Hawai’i and have  
9 incomes considerably lower than those of their colleagues on the mainland. We must  
10 encourage recruitment and most importantly, retention of both primary and specialty  
11 physicians and other health care professionals.

12 Only two states, Hawai’i and New Mexico, have yet to recognize this is ineffective public  
13 policy and a detriment to public health. Please recommend exempting the GET for  
14 independent physician and health professional practices in Hawai’i, and kindly also urge our  
15 colleagues on the House Finance Committee to see that doing so is a critically important  
16 health care workforce priority.

17 Mahalo for the opportunity to testify.



## ‘ŌNAEHANA KULANUI O HAWAII

### Legislative Testimony

#### Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the  
House Committee on Health & Homelessness  
Wednesday, February 14, 2024 at 8:30 a.m.

By

Lee Buenconsejo-Lum, Interim Dean  
John A. Burns School of Medicine

And

Michael Bruno, Provost  
University of Hawai'i at Mānoa

#### HB 1675 – RELATING TO THE GENERAL EXCISE TAX

Chair Belatti, Vice Chair Takenouchi, and Members of the Committee:

Thank you for the opportunity to provide testimony in SUPPORT of HB 1675 which exempts medical services provided by physicians and advanced practice registered nurses acting in the capacity of a primary care provider from the general excise tax. Hawai'i faces a shortage of almost 800 physicians. Increasing costs and reduced reimbursements have negatively impacted primary care providers, and many providers are struggling to keep their practices open especially on the neighbor islands. Through the surveys of physicians conducted by the John A. Burns School of Medicine (JABSOM) at the Hawai'i Health Workforce Summit as to what could be done to recruit and retain more physicians, the fourth most popular answer from the 274 respondents to the survey was eliminating the GET on medical services.

Medical services rendered at a nonprofit hospital, infirmary, or sanitarium are exempt from the general excise tax, while the same services rendered by individual or group practices or clinics are fully taxable. Presently, government programs such as Medicare, Medicaid, and TRICARE do not compensate for the difference created by the general excise tax, leading to some inconsistency in the economic impact to health care providers. Should the provider try to pass on the tax to the patient, they will be subject to criminal penalties. This measure would be beneficial in eliminating the disparity in compensation as well as easing the financial burden for primary care providers. This in turn may encourage more physicians to practice and remain in Hawai'i.

Thank you for the opportunity to provide testimony on this bill.



## DISABILITY AND COMMUNICATION ACCESS BOARD

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1010 Richards Street, Room 118 • Honolulu, Hawaii 96813  
Ph. (808) 586-8121 (V) • TTY (808) 586-8162 • Fax (808) 586-8129

February 14, 2024

### TESTIMONY TO THE HOUSE COMMITTEE ON HEALTH AND HOMELESSNESS

#### House Bill 1675 – Relating to the General Excise Tax

The Disability and Communication Access Board (DCAB) supports House Bill 1675 – Relating to the General Excise Tax.

The bill exempts medical services provided by physicians and advanced practice registered nurses acting in the capacity of a primary care provider from the general excise tax. The cost of medical services is one the main factors in Hawaii's high cost of living. Any legislation that helps to lower this cost will therefore greatly benefit our residents.

Thank you for considering our position.

Respectfully submitted,

KIRBY L. SHAW  
Executive Director



**Hawaii Medical Association**

1360 South Beretania Street, Suite 200 • Honolulu, Hawaii 96814  
Phone: 808.536.7702 • Fax: 808.528.2376 • hawaiimedicalassociation.org

**COMMITTEE ON HEALTH & HOMELESSNESS**

Rep. Della Au Belatti, Chair  
Rep. Jenna Takenouchi, Vice Chair

Date: February 14, 2024  
From: Hawaii Medical Association  
Elizabeth England, MD  
Chair, HMA Public Policy Committee

**Re: HB1675, RELATING TO THE GENERAL EXCISE TAX**  
**Position: SUPPORT**

Thank you for the opportunity to submit testimony in **SUPPORT OF HB1675**, which “exempts medical services provided by physicians and advanced practice registered nurses acting in the capacity of a primary care provider from the general excise tax”.

The worsening healthcare crisis in Hawaii is a tremendous hardship and source of suffering for our citizens. Enrollment in Hawaii MedQUEST (Medicaid program) has jumped 40% since the start of the COVID-19 pandemic. The 2022 Access to Care CDC- funded comprehensive statewide survey of patients and providers found that low-income individuals experience incredible delays and barriers to healthcare services. Native Hawaiians and Pacific Islanders are particularly affected.

Causes for healthcare disparities are multifactorial, but are unquestionably linked to the unremitting decline in our Hawaii physician workforce. The estimated unmet need for primary care physicians is approximately 123 full-time equivalents (FTE) with percentage shortages most profound on Maui.

	Hawai'i County	Honolulu County	Kaua'i County	Maui County	Statewide
Shortage	17 (12)	59 (106)	6 (0)	42 (44)	123 (162)
Percent	12% (9)	7% (14)	11% (0)	33%(36)	11% (15)

While efforts toward expansion of healthcare training programs and loan repayment play a vital role in physician recruitment and retention, they do not address the challenge facing many physicians currently practicing in Hawaii. A large number of the physician practices do not

**2024 Hawaii Medical Association Officers**

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**2024 Hawaii Medical Association Public Policy Coordination Team**

Beth England, MD, Chair  
Linda Rosehill, JD, Government Relations • Marc Alexander, Executive Director

have the financial capacity to continue providing quality care in the face of ever-decreasing Medicare/ Medicaid reimbursements coupled with the General Excise Tax (GET).

Healthcare providers must absorb this tax, which federal law forbids passing to patients. As more physician practices are crushed under the heavy weight of practice expenses, our most vulnerable patients, particularly those in rural and underserved communities, cannot access local providers in a timely fashion to receive the diagnosis and treatment they desperately need. HMA urges legislators to support a GET exemption for primary care medical services as a reasonable and essential step in the future survival and sustainability of our Hawaii healthcare.

Thank you for allowing the Hawaii Medical Association to testify in support of this measure.

**References and Quick Links:**

Cocke S. Hawaii Medicaid enrollment up 40% since start of pandemic. Honolulu Star Advertiser Dec 19 2022.

University of Hawaii System Annual Report. Report to the 2024 Legislature. Annual Report on findings from the Hawaii Physician Workforce Assessment Project. Dec 2023.

Access to Care. Health for our communities. Community First Hawaii. July 2022 Report.

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Linda Rosehill, JD, Government Relations • Marc Alexander, Executive Director





*American College of  
Obstetricians and Gynecologists  
District VIII, Hawai'i (Guam & American Samoa) Section*

TO: House Committee on Health & Homelessness  
Representative Della Au Belatti, Chair  
Representative Jenna Takenouchi, Vice Chair

DATE: Wednesday, February 14, 2024 8:30 AM

PLACE: Hawaii State Capitol, Conference Room 329 and video conference

FROM: Hawai'i Section, ACOG

**Re: HB1675 Relating to Health Care**

**Position: STRONG SUPPORT**

Dear Chair, Vice Chair and members of the committee,

Hawaii ACOG supports measure HB 1675, which aims to reduce the negative impact of the general excise tax on group and private practice physicians, and advanced practice registered nurses. We believe that this bill would have a significant impact on improving access to care for those who need it most.

ACOG agrees with the legislature's findings that there is an incongruity in the way medical service providers are treated under the existing general excise tax. Presently, medical services rendered at a nonprofit hospital are exempt from the general excise tax, while the same services rendered by individual or group practices or clinics are fully taxable. This inconsistency in the economic impact to health care providers has led to challenges in ensuring cost-effective patient outcomes.

Exempting medical service providers from the general excise tax would encourage cost-effective patient outcomes and improve access to care for many patients. It is important to note that government programs, such as Medicare, Medicaid, and TRICARE, do not currently compensate for the difference created by the general excise tax in Hawai'i, which can lead to inconsistency in the economic impact to health care providers.

As physicians in the community, we have seen firsthand the challenges that patients and healthcare providers face in accessing quality healthcare. We are facing critical shortages of physicians, particularly on the neighbor islands and rural areas. We believe that this bill is a crucial step towards addressing these issues and ensuring that everyone has access to the care they need to live healthy and fulfilling lives.

Thank you for considering our testimony in support of HB1675. We ask you to take action to ensure that this bill becomes law and that we can work towards a better and more equitable healthcare system for all Hawai'i residents.

# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

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**SUBJECT:** GENERAL EXCISE; Medical Services; Physicians; Advanced Practice Registered Nurses

**BILL NUMBER:** HB 1675

**INTRODUCED BY:** KONG, AMATO, COCHRAN, HUSSEY-BURDICK, KAPELA, KILA, LA CHICA, MATSUMOTO, PIERICK, POEPOE, TARNAS, WARD

**EXECUTIVE SUMMARY:** Beginning 1/1/2025, exempts medical services provided by physicians and advanced practice registered nurses acting in the capacity of a primary care provider from the general excise tax.

**SYNOPSIS:** Adds a new section to chapter 237, HRS, to exempt all of the gross proceeds arising from medical services provided by physicians and advanced practice registered nurses acting in the capacity of a primary care provider.

Defines “medical services” as including those services provided within hospitals, medical clinics, and private medical practices that are performed by licensed practitioners pursuant to chapter 453 or chapter 457.

**EFFECTIVE DATE:** Upon approval.

**STAFF COMMENTS:** Hawaii’s physician shortage is not a new phenomenon, but has been annually documented by the Hawai‘i Physician Workforce Assessment Project Report. [The 2023 Report](#)<sup>1</sup> conducted by the University of Hawai‘i at Mānoa John A. Burns School of Medicine (JABSOM) and submitted to the 2024 Hawai‘i State Legislature continues to conclude the projected demand will not be met in the foreseeable future.

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](#)<sup>2</sup> 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.

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<sup>1</sup> [https://www.hawaii.edu/govrel/docs/reports/2024/act18-sslh2009\\_2024\\_physician-workforce\\_annual-report\\_508.pdf](https://www.hawaii.edu/govrel/docs/reports/2024/act18-sslh2009_2024_physician-workforce_annual-report_508.pdf)

<sup>2</sup> [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)

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.

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.

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

Digested: 2/12/2024



## Philippine Medical Association of Hawai'i

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**Rhea Bautista, MD**

*Executive Director*

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*PMAH Foundation*

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*Ohana Medical Missions*

To the Honorable Members of the House Committee on Health and Homelessness,

My name is **Rainier Dennis D. Bautista, MD**. I am currently the President of the Philippine Medical Association of Hawaii (PMAH), representing 200 physicians who practice in the state of Hawaii.

I am reaching out to advocate for the passage of **HB1675**, a bill of paramount importance for the future of healthcare in Hawaii. This legislation stands as a critical solution to the pressing and multifaceted issue of our state's physician shortage, which has escalated to a critical juncture, severely impacting the accessibility and quality of healthcare for our residents.

Hawaii faces an acute shortage of physicians, with a dire need for an additional 750 healthcare professionals, particularly in primary care, to meet the growing demands of our communities. This shortage is most pronounced on our neighbor islands, where the deficit reaches up to 40%. This situation is exacerbated by the **high cost of living, low Medicare reimbursement rates**, and the unique **financial burden posed by the General Excise Tax** on healthcare services. The ramifications of this shortage extend far beyond healthcare accessibility, threatening the very well-being and lives of Hawaii's people.

HB1675 proposes to exempt medical services provided by physicians and advanced practice registered nurses from the general excise tax, effective January 1, 2025. This exemption is not merely a fiscal adjustment but a beacon of hope for enhancing the operational viability of primary care clinics and ensuring the delivery of comprehensive and compassionate care across our state. By alleviating the financial strains on our healthcare providers, this bill directly addresses one of the fundamental barriers to attracting and retaining the medical professionals our communities so desperately need.

The passage of HB1675 would complement ongoing efforts to expand medical residency and student training opportunities within the state, as well as the implementation of loan repayment programs designed to retain physicians trained in Hawaii. However, without legislative intervention to mitigate the financial pressures on our healthcare providers, these initiatives can only achieve limited success.

On behalf of PMAH and the dedicated healthcare providers we represent, I urge you to recognize the gravity of our physician shortage and the transformative potential of HB1675. By supporting this bill, you will be taking a significant step towards securing a robust and resilient healthcare system for Hawaii, ensuring that every resident has access to the quality medical care they need and deserve.

Thank you for your attention to this matter and your ongoing commitment to the health and well-being of Hawaii's people.

Sincerely,

Rainier Dennis D. Bautista, MD

President, Philippine Medical Association of Hawaii



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808-649-1487  
2/12/2024

House Committee on Health and Homelessness  
Honorable Chair Della Au Belatti and  
Vice Chair Jenna Takenouchi  
And Committee Members  
H.B. 1675 Relating to the GET

Dear Members of the House Committee on Health and Homelessness,

I am writing to express my strong support for Hawaii State Bill HB1675, which seeks to exempt primary medical care from the general excise tax. As an Orthopedic Surgeon practicing on Maui, I left a comfortable job with Kaiser Permanente, taking significant financial risk, to open an independent private clinic due to my concern for the lack of access to Orthopedic Surgical care on island. Since that time, we have been devastated by last year's wildfires which consumed several primary health care facilities in West Maui. Access to medical care on our island is in a precarious place. It is not unusual for me to see patients who have had a primary care physician retire or leave the island and are now waiting as long as six months to establish care with another physician. I am pleading with this committee and those that lay ahead to give this bill thoughtful consideration.

Primary medical care is the cornerstone of a healthy community. It encompasses essential services such as preventive care, chronic disease management, and acute care needs. These services are fundamental to maintaining individual well-being and preventing the progression of health conditions that could become more serious and costly to treat if left unattended.

Exempting primary medical care from the general excise tax would alleviate the financial burden on healthcare providers and benefit patients. By reducing the tax burden on healthcare services, providers can allocate more resources towards enhancing patient care, investing in medical technologies, and expanding their practices to reach underserved populations. Hawaii is one of only two states to impose a tax on Medicare, Medicaid, and TRICARE insurance fees.

Kaiser physicians, hospitals, and hospital networks are exempt from the GET due to their "non-profit" status. As an independent Orthopedic Surgeon on Maui, please know, if we lose our private practice physicians, access to care will become much worse. When you hear from your constituents about their long waits and difficulty accessing medical care, please realize you have a chance to help by moving this bill forward, and please do not stop there. When you vote in

support of this bill, please, please, please have the courage to call out any of your colleagues who may seek to silently kill the measure by forgoing hearings later in the process.

This exemption will help lower barriers to accessing healthcare for vulnerable populations, including low-income individuals and families, especially those on the neighbor islands and rural areas of Hawaii. Many of these individuals already face significant economic challenges, and adding taxes to essential healthcare services only exacerbates their financial strain. By exempting primary medical care from the general excise tax, we can ensure that everyone has equal access to the healthcare services they need to lead healthy and productive lives.

Furthermore, investing in primary medical care has been shown to yield long-term cost savings for both individuals and the healthcare system. By focusing on preventive care and early intervention, primary care providers can help individuals manage their health conditions more effectively, reducing the need for costly emergency room visits and hospitalizations down the line. This not only improves health outcomes but also reduces overall healthcare spending, benefiting taxpayers and the economy in the long run.

In conclusion, I urge you to support HB1675 and exempt primary medical care from the general excise tax. By doing so, we can make healthcare more affordable and accessible for all residents of Hawaii, promote better health outcomes, and create a more equitable healthcare system for future generations.

Thank you for considering my testimony in support of this important bill.

Sincerely,

Zachary Thielen MD, FAAOS

**HB-1675**

Submitted on: 2/12/2024 3:02:52 PM

Testimony for HLT on 2/14/2024 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Doris Segal Matsunaga	Indivisible Hawaii Healthcare Team	Support	Written Testimony Only

Comments:

The IH Healthcare Team supports the intent of this bill to make primary care more accessible by lowering the costs of primary care providers. However, Hawaii needs better access to medical providers of all types, including medical specialists and dental providers - especially on the Neighbor Islands where most of the members of this Team reside. We prefer HB 2627/SB 2169 which are more comprehensive in the range of providers and services covered.

Doris Segal Matsunaga

Waimea, Hawai'i Island

**HB-1675**

Submitted on: 2/12/2024 3:06:57 PM

Testimony for HLT on 2/14/2024 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Doris Matsunaga	Save Medicaid Hawaii	Support	Written Testimony Only

Comments:

Save Medicaid Hawaii supports the intent of this bill to make primary care more accessible by lowering the costs of primary care providers. However, Hawai'i needs better access to medical providers of all types, including medical specialists and dental providers - especially on the Neighbor Islands. We prefer HB 2627/SB 2169 which are more comprehensive in the range of providers and services covered - and which target providers who serve those at the lower income side of the socio-economic ladder: Medicaid, Medicare and Tricare patients.

Doris Segal Matsunaga



**HB-1675**

Submitted on: 2/12/2024 11:44:59 AM

Testimony for HLT on 2/14/2024 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Scott Grosskreutz, M.D.	Hawaii Provider Shortage Crisis Task Force	Support	Written Testimony Only

Comments:

Dear House Health Committee Members,

Thank you for hearing HB1675 to exempt the Medicare, Medicaid and TriCare insurance programs from GET taxation. The House Health Committee passed a similar measure for a GET exemption in 2021 and 2023 unanimously. Those measures SB1035/HB662 were passed last session by the Senate on third reading, and every House and Senate committee hearing these measures without a single no vote. Unfortunately FIN did not even schedule a hearing.

Over half of Hawaii’s residents are insured by these three programs, and that number is rising annually. Meanwhile Medicare reimbursements have been falling for many years, while costs of caring for patients continue to rise with inflation. With our very high costs in Hawai’i, providers often lose money, or at best break even caring for Medicare patients. Hawaii is the only U.S. state taxing Medicare, Medicaid and TriCare patients, and federal policies forbid passing these taxes on to patients. As the GET taxation is on gross revenue, this ensures providers lose money caring for over half of our population, and that punitive taxation is driving many medical practices into bankruptcy and closure.

Hawaii already has the worst shortages of primary care providers in America, with over 500,000 of our residents in health professionals shortage area (HPSA). The shortage of doctors worsened in 2023 on the Neighbor Islands, with a 43% shortage on Maui and 41% shortage on the Big Island. It has largely become financially irresponsible to start new private practice clinics in Hawai’i.

Hawaii’s GET taxation is steadily eliminating the small private medical practices that provide the bulk of patient care on the Neighbor Islands and our rural underserved populations. As

Hawai'i loses the remaining healthcare professionals in medical and dental practices, the revenues from GET taxes on healthcare will fall toward zero, as hospitals and nonprofits are already exempt from the GET. Hawai'i will also lose tax revenues income tax, corporate tax, property tax etc, from providers forced into retirement, quitting medicine and leaving Hawai'i.

The GET taxation of healthcare is unsustainable and is a major driver of Hawaii's access to healthcare crisis. Soon Hawai'i will have the worst of all possible worlds, with far fewer doctors, nurses and dentists and no revenues from taxing healthcare. This is the equivalent of legislative malpractice.

While widely supported, this critical reform of GET taxation has been in limbo for years. Please vote for this measure and talk to your fellow lawmakers. Legislative committees should show Hawaii's patients and healthcare professionals the respect and courtesy to hear this measure and hold an on the record yes or no vote. The failure to hear and pass this widely supported measure erodes public trust in our legislative process, and has contributed to the loss of hundreds of providers and several medical practices in the last four years. If this measure is not heard by all committees, then we respectfully ask that it be recalled to the floor for a vote.

Mahalo nui loa for your consideration.

Scott Grosskreutz, M.D.

Hawaii Provider Shortage Crisis Task Force

**HB-1675**

Submitted on: 2/12/2024 5:13:15 PM

Testimony for HLT on 2/14/2024 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Jerald Garcia	HAWAII INSTITUTE FOR PAIN	Support	Written Testimony Only

Comments:

Dear Legislators:

On behalf of the physicians and medical providers of the Hawaii Institute for Pain, I am writing in strong support of HB 1675 but with the following changes: to not limit to scope to physicians and medical providers "acting in the capacity of primary care providers." This qualifier is vague and will lead to confusion because a lot of physicians who are specialists (e.g. OB/GYN, occupational medicine, pain medicine, neurology, rheumatology, psychiatry, etc.) act in dual capacity as specialist and primary care provider, especially in underserved areas such as the outer islands of Hawaii. It is an established fact that the State of Hawaii faces a drastic physician shortage problem. As a consequence, the people of Hawaii are burdened with limited access to quality health care, often finding themselves having to compromise or delay their medical care. The lucky few are able to fly to the varying institutions and specialists in different states across the mainland, if only to receive the quality expertise and care that every single patient in Hawaii deserves and should also have access to. We believe that HB 1675 is a step in the right direction in solving this problem. This bill will encourage physician retention and recruitment so that our kupuna and fellow Hawaiians will one day see communities teeming with physicians serving their every health care need; So that access to high quality medical care will no longer be a long flight away but a simple drive or bus ride away. Our group therefore joins the Hawaii Medical Association and the Philippine Medical Association of Hawaii in support of HB 1675 and we urge your good offices to do the same. Thank you for allowing the Hawaii Institute for Pain to testify in support of this measure.

Sincerely,

Jerald Garcia, MD

President, Hawaii Institute for Pain

**HB-1675**

Submitted on: 2/13/2024 7:57:18 AM

Testimony for HLT on 2/14/2024 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Ann Cox	Orchid Isle Wellness Center, LLC	Support	Written Testimony Only

Comments:

I wish to testify in support of HB 1675.

I live on the Big Island of Hawaii. I own a small private practice providing mental health care to residents across the entire island. I am a Psychiatric Mental Health Nurse Practitioner with a doctorate degree, seeing children as well as adults/older adults prescribing medications for mental health as well as psychotherapy.

Hawaii has a severe shortage of healthcare providers, and mental health care has an even greater shortage than primary care. The shortage is so severe that I drive long distances to the East side of the Big island from Kona to provide services to underserved areas who need mental health medications for stability. The community health centers are currently referring patients to my private practice because they have a shortage of psychiatric providers at their clinics.

I currently accept HMSA Quest, Alohaquest, Ohana quest as well as Medicare. This makes up a majority of my patients. Medical practices are under considerable financial stress due to reimbursements from insurance programs. The General Excise Tax amplifies the challenges facing medical practices. With the 4.7% GE tax not being able to be passed on to patient, reimbursement receipts the hit to my net income is 11-25%.

Please help save medical practices in Hawaii by supporting HB1675.

Ann Cox, DNP, PMHNP-BC

Feb. 14, 2024, 8:30 a.m.  
Hawaii State Capitol  
Conference Room 329 and Videoconference

**To: House Committee on Health & Homelessness**  
**Rep. Della Au Belatti, Chair**  
**Rep. Jenna Takenouchi, Vice-Chair**

**From: Grassroot Institute of Hawaii**  
**Ted Kefalas, Director of Strategic Campaigns**

COMMENTS IN SUPPORT OF HB1675 — RELATING TO THE GENERAL EXCISE TAX

Aloha Chair Belatti, Vice-Chairs Takenouchi and Committee Members,

The Grassroot Institute of Hawaii would like to offer its support for [HB1675](#), 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.

With this bill, the Legislature would bring Hawaii into the mainstream of states that do not tax medical services.

At present, Hawaii is the only state to tax gross receipts on patient copayments and deductibles<sup>1</sup> as well as the only state to tax Medicare and TRICARE.

Nonprofit facilities are currently exempt from the GET, but private practice physicians are not. Thus, private practice doctors and clinics must pay the state's 4% GET plus any county surcharge.

As the Grassroot Institute explains in its report, "[The case for exempting medical services from Hawaii's general excise tax](#)," the GET is a significant expense for doctor offices, making it difficult for such practices to thrive in our state.<sup>2</sup>

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<sup>1</sup> Effective July 1, 2023, New Mexico allowed for the deduction of copayments and deductibles from its gross receipts tax. At the time, New Mexico was the only state other than Hawaii to tax medical services. "[Gross Receipts Tax and Health Care Services](#)," New Mexico Taxation and Revenue Department, July 2023.

<sup>2</sup> Malia Hill, "[The case for exempting medical services from Hawaii's general excise tax](#)," Grassroot Institute of Hawaii, January 2023.

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

Similarly, in the case of Medicaid, doctors must 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.

Separate research from the Grassroot Institute of Hawaii found that exempting medical services from the excise tax would help make healthcare more affordable in Hawaii for both doctors and residents.<sup>3</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.<sup>4</sup> An exemption from the state's 4% GET would save private, for-profit medical providers approximately \$200 million.<sup>5</sup> Waiving the GET surcharges imposed by the counties would save an additional \$22 million more.<sup>6</sup> Together, these actions would result in substantial savings for individual practices.

According to the Grassroot 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.<sup>7</sup> That's the equivalent to 6.7% of the average medical service worker's wage and 5.8% of current GET collections.<sup>8</sup>

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 757 full-time equivalent physicians.<sup>9</sup> The largest area of need is in primary care, but there are significant shortages across multiple specialities.

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<sup>3</sup> ["How the state GET affects healthcare costs in Hawaii,"](#) Grassroot Institute of Hawaii, January 2020,

<sup>4</sup> [Ibid.](#), p. 2.

<sup>5</sup> [Ibid.](#)

<sup>6</sup> [Ibid.](#)

<sup>7</sup> [Ibid.](#)

<sup>8</sup> [Ibid.](#)

<sup>9</sup> ["Hawaii Physician Workforce Report 2023,"](#) Hawaii Physician Workforce Assessment Project, December 2023.

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 we 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 testify.

Ted Kefalas  
Director of Strategic Campaigns  
Grassroot Institute of Hawaii

## **ALISTAIR W BAIROS, MD**

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General Surgery, Wound Care Specialist

PO Box 670  
Kealahou, Hawai'i 96750  
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**House Committee on Health and Homelessness  
Honorable Chair Della Au Belatti and  
Vice Chair Jenna Takenouchi  
And Committee Members**

**H.B. 1675 Relating to the GET**

**Testimony of Alistair Bairos, M.D.  
Country Surgeon**

Wednesday, February 14, 2024. 8:30 AM

**Position: SUPPORT**

**Why?: because it's PONO!**

Time was, after passage of the Prepaid Health Care Act of 1974, that Hawai'i was the envy of the nation. Those days are, sadly, long gone and we now dwell at the bottom of the pit in terms of reduced access to care and availability of healthcare providers; the details have been presented to this, and other committees, many, many times.

It is positively cruel and perverse that the State applies the GET to private practice practitioners, while practitioners working for hospitals, Kaiser and other large systems are exempted – especially since the hospitals, Kaiser and large systems are largely absent from rural Hawai'i, where [documented ad nauseum!] the shortages and access to care are most critical.

For heaven's sake – and for the sake of your fellow citizens – please recommend exempting the GET for independent physician and health professional practices throughout Hawai'i and please also recommend that your colleagues in the other pertinent committees act similarly.

Yours truly and aloha

Ali Bairos, MD

**Alistair W Bairos, MD, CWSP, FACCWS**

*President*

**American Board of Wound Management**

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*Signed electronically 02/12/2024, 09:39:17PM*





**HB-1675**

Submitted on: 2/13/2024 7:41:24 AM

Testimony for HLT on 2/14/2024 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Marquita Granda	Individual	Support	Written Testimony Only

Comments:

Aloha,

I wish to testify in support of HB 1675. I am a psychiatric mental health nurse practitioner from Kaua'i but now live on Hawai'i island due to the housing crisis that significantly worsened over the last few years on Kaua'i. It was always my dream to serve local communities and I recently moved back from Oregon to do so. I opened a private practice and am shocked at the difference in insurance reimbursement rates between Oregon and Hawai'i. We are reimbursed significantly less in Hawai'i. In order to support my family, I have considered outsourcing my services to Oregon and Washington, where I am licensed and exempt from paying GET. I am sad that I have to chose between supporting my community and supporting my family, I have never felt so conflicted. Passing this bill would ease some of this hardship. Mahalo for your consideration.

Marquita Granda, MSN, APRN, PMHNP-BC, FNP-C

**HB-1675**

Submitted on: 2/12/2024 10:06:47 PM

Testimony for HLT on 2/14/2024 8:30:00 AM

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

Comments:

Thank you for having a hearing on SB 1675. I only have a moment to spare from the administrative work I am completing at 9 o'clock at night after a 10 h day in clinic so this will be brief: While the GET on healthcare seems small it has an enormous impact on small clinics as 4.5% gross quickly turns into 20% or more of a physicians take home pay. Did the legislature ever intend to impose a 20% tax only on health care providers who have small businesses? It seems the most counter-intuitive, counter-productive policy possible in the setting of a decades long, devastating health care provider shortage. Any bill removing this unfair burden from primary care such as HB1675 deserves to be heard by all the committees in the house as it would without a doubt would be passed should it get the hearings it deserves.

**HB-1675**

Submitted on: 2/12/2024 8:28:47 AM

Testimony for HLT on 2/14/2024 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Stephanie Yan	Individual	Support	Written Testimony Only

Comments:

Dear Honorable Representative in the House Health Committee,

Hawaii is currently facing a severe shortage of primary care providers, and the situation is particularly dire on Maui, where we are experiencing the worst scarcity of both physicians and primary care providers in the state. According to the University of Hawai'i Area Health Education Center, in 2023, Maui had a 43% shortage of doctors, which had worsened by 40% compared to the previous year. This crisis has had a ripple effect on neighboring areas like Molokai, where access to care for 60% of residents has been severely disrupted for over a year. Additionally, recent tragic fires have resulted in the loss of three medical clinics, further exacerbating the healthcare crisis on Maui. The shortage of doctors on our other Neighbor Islands is equally alarming, with a 41% deficit on Hawai'i Island.

One of the primary reasons for this shortage of healthcare professionals is the low reimbursements from Medicare and local insurance companies. These reimbursements often fail to cover the high costs of providing care in our state, where the cost of living is exceptionally high.

Another significant contributor to the access to care crisis in Hawaii is the regressive taxation of healthcare. Unlike most states, Hawaii imposes taxes on medical services, which disproportionately burden those who can least afford it. It is ethically problematic to tax our elderly (kupuna) when they break a hip or tax families when their children develop serious illnesses like leukemia.

What sets Hawaii apart from the rest of the United States is that it's the only state that taxes Medicare, Medicaid, and TriCare insurance benefits. While there has been a recent increase in Medicaid payments to Medicare levels, healthcare providers often break even or even operate at a loss when caring for Medicare patients. The General Excise Tax (GET), applied to gross income, has a substantial impact on net income, estimated to be between 15-20%.

Until recently, the Hawaiian Department of Taxation allowed healthcare professionals to pass on the GET tax to their Medicare patients, a practice that the Federal Government deems as Medicare fraud.

Despite widespread support from the Hawai'i State Senate and various House and Senate committees, key GET exemption bills failed to pass in 2020 and 2023 due to the House Finance Committee's refusal to hold hearings on them.

Ensuring quality healthcare for our most vulnerable communities, particularly in rural areas and the Neighbor Islands, relies heavily on private practice clinics that are independent from large healthcare systems. Many of these small medical businesses are facing financial hardships, partly due to the GET, which hampers the recruitment and retention of healthcare professionals.

From a fiscal perspective, imposing the GET on healthcare makes little sense. Patients who are already ill or injured often struggle to afford this tax. When healthcare providers are burdened with the GET, many are forced to close their practices, retire, or leave Hawaii. It's important to note that hospitals and public health clinics are already exempt from the GET.

If this situation persists, there will soon be very few healthcare providers left in private practices in Hawaii to tax. As healthcare professionals exit the field, the state not only loses GET tax revenue but also personal and corporate income taxes, property taxes, and other sources of revenue. This scenario leads to a lose-lose situation with fewer medical professionals, less tax revenue, and a dire impact on our state. Hawaii has made significant strides in expanding medical training programs, but it is now critical to ensure that medical practices in Hawaii can continue caring for their patients, especially on Maui and the Neighbor Islands.

Mahalo for your time and consideration.

Sincerely,

Dr Stephanie Yan

**HB-1675**

Submitted on: 2/12/2024 9:11:46 AM

Testimony for HLT on 2/14/2024 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Lynn Murakami Akatsuka	Individual	Support	Written Testimony Only

Comments:

I **strongly support** the passage of HB 1675 this legislative session. This bill is a needed step in supporting our licensed physicians and advanced practice registered nurses in reducing their cost for providing services to our communities statewide in their private medical practices, medical clinics and within hospitals. We can't afford losing more of our health care professionals to other states, early retirement, or closure of their practices.

Thank you for the opportunity to provide written testimony in **strong support** of HB 1675.

**HB-1675**

Submitted on: 2/12/2024 9:15:14 AM

Testimony for HLT on 2/14/2024 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Michelle K.	Individual	Support	Written Testimony Only

Comments:

STRONG SUPPORT for this bill to get passed so that physicans have less tax burden and able to stay in Hawaii to do business. I will also recommend extending this bill to cover other health specialties such as acupuncturists, physical therapists, chiropractors, and more. This bill is one way to help those working in healthcare manage their costs and prioritize patients over financial concerns. Thank you for your kind consideration!

**HB-1675**

Submitted on: 2/12/2024 10:20:03 AM

Testimony for HLT on 2/14/2024 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Andrew Crossland	Individual	Support	Written Testimony Only

Comments:

I **support** this Bill. Please vote **yes**.



**HB-1675**

Submitted on: 2/12/2024 11:53:30 AM

Testimony for HLT on 2/14/2024 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Allen Novak	Individual	Support	Written Testimony Only

Comments:

I wish to testify in support of HB 1675.

I initially lived on Oahu but have been a resident of Hilo for 30 years and a practicing nurse.

Hawai‘i has a severe shortage of healthcare providers, with some of the worst shortages of primary care providers in America. The shortage is not as significant on Oahu as it is on the neighbor islands. Hawai‘i Island has a shortage of over 40%.

I personally have had problems accessing a primary care provider in the East Hawai‘i Island area, and have not received the healthcare which I, as a nurse, know I needed.

Medical practices are under considerable financial stress due to rapidly rising costs and falling reimbursements from insurance programs. Hawai‘i’s unique taxation of healthcare services with the General Excise Tax amplifies the challenges facing medical practices by taxing gross revenues, even when providers break even or lose money providing healthcare services. One reason medical private practice is dying is because Hawai‘i has the highest cost of living in the nation, by far, and the near-lowest insurance reimbursements in the nation. On top of that, Hawai‘i is the ONLY state in the nation to tax the Federal health insurance programs Medicare, Medicaid (Quest) and Tri-Care (military), which combined is 50% of all people in our state. By federal law, this 4.7% GET tax cannot be passed on to patients. A 4.7% GET on practice gross receipts is more like a 11-25% hit to their net income.

Please help save medical practices in Hawai‘i by supporting HB 1675.

Allen Novak

I am writing this as testimony in support of HB 1675.

I live on the Big Island and have resided in the state of Hawaii since 1980. Over the years I have been both a recipient of care and provided care for our residents.

As you are likely fully aware from both personal experience as well as from studies that have been reviewed, Hawaii has a severe shortage of healthcare providers. The shortage is replete on the neighbor islands, with Hawaii Island having a shortage of at least 40%, with a population with complex medical and psychosocial issues.

Medical practices are under considerable stress to substantively endure due to the intensity of patient needs, rising costs, falling reimbursements from medical insurance, and the deficiencies in securing insurer payments. As compared to other states, Hawaii uniquely taxes health care services with the General Excise tax which is passed on to the clinician practice rather than the patient. This raises the obligation of taxation for gross revenues, even when the practice either functions under a deficit or barely breaks even for fully providing healthcare services. While Hawaii has one of the highest cost of living in the nation, the reimbursement through insurance is one of the lowest. In addition, the patient population, for example, on Hawaii Island, has predominantly a Medicaid or Medicare insurance, again, with low reimbursement. Furthermore, Hawaii is the ONLY state in the nation to tax the Federal health insurance programs Medicare, Medicaid (Quest) and Tri-Care (military), which combined is 50% of all people in our state. By federal law, this 4.7% GET tax cannot be passed on to patients. When considering net income, the impact of a 4.7% GET on practice gross receipts is a far greater consequence to net income. This is a financial reality that erodes medical/health practice, and contributes to the further erosion of a robust health care system in Hawaii.

Please help foster well developed medical practices in Hawaii by supporting HB 1675.

**HB-1675**

Submitted on: 2/12/2024 2:29:54 PM

Testimony for HLT on 2/14/2024 8:30:00 AM

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

Comments:

This a good first step toward ridding healthcare professionals of general excise tax, so that more providers will serve on Hawaiian islands.

**HB-1675**

Submitted on: 2/12/2024 6:36:00 PM

Testimony for HLT on 2/14/2024 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Barbara Shimei	Individual	Support	Written Testimony Only

Comments:

IN SUPPORT

It is essential to make medical care more accessible to all. One way to do this is to lower the costs of providing care to attract more healthcare providers of all types, especially in remote and underserved areas.

**HB-1675**

Submitted on: 2/12/2024 11:49:33 PM

Testimony for HLT on 2/14/2024 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Kaohimanu Lydia K Dang Akiona	Individual	Support	Written Testimony Only

Comments:

Dear Honorable Chair Belatti, Vice Chair Takenouchi, and Committee Members,H.B. 1675  
Relating to the GET

Dear Members of the House Committee on Health and Homelessness,

I am writing to express my **strong support** for Hawaii State Bill HB1675, which seeks to exempt primary medical care from the general excise tax. I appreciate you and your esteemed committee members taking the time to hear this bill. As many of you know, we have a severe shortage of physicians in Hawai'i, as well as nurse practitioners, physician assistants and almost all types of healthcare professionals and providers with an estimated 3,500 open positions for needed healthcare workers in the state. This shortage has had very large impact to access to care- especially primary care, disproportionately moreso in our rural and underserved areas- including much of Maui and Hawai'i County where I serve as an independent family medicine physician. There are many complex issues contributing to our severe physician/provider shortage, but the number one reason is high cost of living and low pay/reimbursement. For physicians with private and independent offices like me, it is very difficult to make ends meet and our ability to serve the communities/patients who need it most is very much impacted by our ability to maintain a viable business. I have witnessed many solo and small practice owners in Hawaii who have been unable to secure a successor and have either closed or are in the final months/years of their practices because of the high overhead, low reimbursement and what they describe as a hostile business environment. I am no different and while I am wholly committed to serving my patients and community as long as possible, I am very realistic that the current system/model is not sustainable. I have worked in larger systems, for community health centers and for the Native Hawaiian Health systems before joining private practice and then opening my own clinic at a time when most people are closing theirs and leaving the state for greener pastures. I also have had the honor of serving patients in some of the most under-resourced areas of our state and the most geographically isolated parts of most counties- I can say, first hand, that independent practices are key to maintaining quality of care in these areas and often offer the safety net needed for rural communities- places where people know they can get care when they need it.

I firmly believe access to quality primary medical care is the cornerstone of a healthy community. It encompasses essential services such as preventive care, chronic disease management, and acute care needs. These services are fundamental to maintaining individual well-being and preventing the progression of health conditions that could become more serious and costly to treat if left unattended.

Exempting primary medical care from the general excise tax would alleviate the financial burden on healthcare providers and benefit patients. By reducing the tax burden on healthcare services,

providers can allocate more resources towards enhancing patient care, investing in medical technologies, and expanding their practices to reach underserved populations. Hawaii is one of only two states to impose a tax on Medicare, Medicaid, and TRICARE insurance fees.

I recently extended my own personal resources and opened a branch of my clinic on Moloka`i to provide what care I could for a community already suffering from limited healthcare and resources. With recent serial physician deaths, retirement and subsequent departure of several providers, the patients, families and community suffered immensely - often silently- from delayed and disrupted care, and eventually what we recognize as the absence of reasonable care. I am asking for help as a small, independent primary care practice- please help me survive so I can focus on doing what we can to maintain (and hopefully improve) access to care for our rural, neighbor islands and vulnerable populations.

This exemption will help lower barriers to accessing healthcare for vulnerable populations, including low-income individuals and families, especially those on the neighbor islands and rural areas of Hawaii. Many of these individuals already face significant economic challenges, and adding taxes to essential healthcare services only exacerbates their financial strain. By exempting primary medical care providers like me from the general excise tax, we can ensure that everyone has equal access to the healthcare services they need to lead healthy and productive lives. Furthermore, investing in primary medical care has been shown to yield long-term cost savings for both individuals and the healthcare system. By focusing on preventive care and early intervention, primary care providers can help individuals manage their health conditions more effectively, reducing the need for costly emergency room visits and hospitalizations down the line. This not only improves health outcomes but also reduces overall healthcare spending, benefiting taxpayers and the economy in the long run.

We need to keep independent practices open to care for the patients in Hawaii- we cannot afford to lose any more of my colleagues. Our families and communities deserve us all trying our best to fight for their right and access to quality healthcare - this MUST include considering this tax adjustment to help primary care practices across the state. In conclusion, I urge you to support HB1675 and exempt primary medical care from the general excise tax. By doing so, we can allow practices to get beyond just surviving- to thrive- and make healthcare more affordable and accessible for all residents of Hawaii, promote better health outcomes, and create a more equitable healthcare system for future generations.

Thank you for considering my testimony in support of this important bill and for your time and effort addressing our current healthcare crisis.

`O au iho no me ka ha`aha`a,

Ka`ohimanu Dang Akiona, MD

**HB-1675**

Submitted on: 2/13/2024 1:53:34 AM

Testimony for HLT on 2/14/2024 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Scott Morioka	Individual	Support	Written Testimony Only

Comments:

I support HB1675 and encourage you to pass this bill to help lessen the cost of healthcare for patients and support the finances of primary care providers. Physician reimbursements increase at a rate less than inflation. Physician reimbursements are constantly targeted to be reduced to save money for the medicare system. This bill will help to combat these losses to a small degree, but anything helps. Hawaii can not afford to continue to lose physicians to the mainland due to relatively low pay with a high cost of living.

**HB-1675**

Submitted on: 2/13/2024 11:38:14 AM

Testimony for HLT on 2/14/2024 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Cindy R Ajimine	Individual	Support	Written Testimony Only

Comments:

Please SUPPORT this bill! Thank you to the Introducers who are trying to help us struggling kamaaina. Other states do not tax medical care, food, other essentials. PLEASE SUPPORT!



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



To: The Honorable Representative Della Au Belatti, Chair of  
the House Committee on Health & Homelessness

From: Hawaii Association of Professional Nurses (HAPN)

Subject: HB1675 – Relating to the General Excise Tax, in Support

Hearing: February 14, 2024, 8:30a.m.

Aloha Representative Belatti, Chair; Representative Takenouchi, Vice Chair; and Committee Members,

Thank you for granting us the opportunity to present our testimony on HB1675. The Hawaii Association of Professional Nurses (HAPN) aligns with numerous community organizations, private healthcare practices across the state, and Hawaii's residents who are healthcare recipients in advocating for crucial legislative changes.

HAPN has identified a critical misalignment between the supply of healthcare providers and the demand for healthcare services in our state. To address this disparity and improve healthcare access, we strongly support the removal of the General Excise Tax (GET) on services provided by Advanced Practice Registered Nurses (APRNs), Physician Assistants (Physician Associates), and Physicians. This tax exemption should encompass both primary care and specialist services, reflecting the broad spectrum of healthcare needs among Hawaii's population.

Our advocacy for patient access to care has never been more urgent, as we witness the rapid deterioration of healthcare services due to clinic closures and the exit of healthcare providers from practice. This trend is attributable to a variety of factors, including the relocation of providers to states with more favorable business climates, retirements, and the challenging economics of healthcare provision exacerbated by inadequate insurance reimbursements and the high cost of living in Hawaii. A statewide survey by the Hawai'i Rural Health Association and Community First revealed that nearly half of the healthcare providers surveyed were contemplating leaving the profession or the state. It is notable that Hawaii remains the only state in the U.S. that levies a tax on medical services. This tax, which providers are prohibited from passing on to patients by federal Medicare and TriCare policies, applies to gross revenues—thereby penalizing even those practices operating at a loss.

The mission of HAPN to represent APRNs in Hawaii has driven our commitment to enhance patient access to healthcare and to advocate for the recognition and full practice authority of APRNs within our state. Our efforts have not only aimed at improving the physical and mental health of our communities but have also led to the establishment of clinics that embody our commitment to providing exemplary care.

In light of these considerations, HAPN respectfully requests your committee to pass HB1675. This legislative action would represent a significant step forward in improving healthcare access and affordability for all residents of Hawaii. We are grateful for the opportunity to share our perspective and for your continued support of the nursing profession in the Aloha State.

Respectfully,

# Hawai'i Association of Professional Nurses (HAPN)

Dr. Jeremy Creekmore, APRN  
HAPN President

