



UNIVERSITY OF HAWAII SYSTEM

‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
Senate Committee on Health and Human Services
Friday, February 3, 2023 at 1:00 p.m.

By

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and

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And

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SB 761 – RELATING TO THE RETENTION OF HEALTH CARE PROVIDERS

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

Thank you for the opportunity to provide testimony in SUPPORT of SB 761 which provides an exemption from the general excise tax (GET) for medical services performed by health care providers.

Hawai'i faces a shortage of almost 800 physicians. 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. Physicians who have left the State indicate that the extra cost of caring for Medicare, Medicaid and Quest patients makes it financially burdensome to continue practicing here. For the same reason, many physicians no longer see this group of patients.

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, 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 may encourage more physicians to practice and remain in Hawai'i so that our communities have access to needed health care, especially in rural areas and on the Neighbor Islands.

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