



UNIVERSITY OF HAWAII SYSTEM

‘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
House Committee on Economic Development
Wednesday, March 22, 2023 at 11:15 a.m.

By

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And

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SB 1035 SD2 – RELATING TO THE GENERAL EXCISE TAX

Chairs Belatti and Holt, Vice Chairs Takenouchi and Lamosao, and Members of the
Committees:

Thank you for the opportunity to provide testimony in SUPPORT of SB 1035 SD2 which
exempts medical services provided by health care providers to patients who receive
Medicaid, Medicare, or TRICARE benefits from the general excise tax.

Hawaii faces a shortage of almost 800 physicians. Through the surveys of physicians
conducted by the John A. Burns School of Medicine (JABSOM) at the Hawaii 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. 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.

SB 1035 SD2 would be beneficial in eliminating the disparity in compensation as well as
easing the financial burden of caring for patients with Medicare, Medicaid and TRICARE.
This in turn may encourage more physicians to practice and remain in Hawaii.

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