



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 Finance
Wednesday, April 3, 2024 at 2:15 p.m.

By

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And

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SB 1035 SD2 HD1 – RELATING TO THE GENERAL EXCISE TAX

Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee:

Thank you for the opportunity to provide testimony in SUPPORT of SB 1035 SD2 HD1 which exempts medical and dental services provided by health care providers to patients who receive Medicaid, Medicare or TRICARE benefits 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 may 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.