



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 Ways and Means
Senate Committee Commerce and Consumer Protection
Wednesday, March 1, 2023 at 9:30 a.m.

By

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And

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SB 1035 SD1 – RELATING TO THE GENERAL EXCISE TAX

Chairs Dela Cruz and Keohokalole, Vice Chairs Keith-Agaran and Fukunaga, and
Members of the Committees:

Thank you for the opportunity to provide testimony in SUPPORT of SB 1035 SD1 which
exempts medical 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. 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. 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 SD1 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 Hawai'i.

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