

STAND. COM. REP. NO.

744

Honolulu, Hawaii

MAR 04 2011

RE: S.B. No. 595  
S.D. 2

Honorable Shan S. Tsutsui  
President of the Senate  
Twenty-Sixth State Legislature  
Regular Session of 2011  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 595, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO PHYSICIANS,"

begs leave to report as follows:

The purpose and intent of this measure is to allow an income tax credit for physicians who see a large number of patients insured by Medicaid that is equal to twenty-five per cent of a physician's annual malpractice insurance premium.

Your Committee received comments in support of this measure from the Hawaii Medical Association; and Dan Domizio, PA, MPH, Clinical Programs Director & CEO, Puna Community Medical Center.

Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that, due to the high cost of practicing medicine in Hawaii, of which medical malpractice insurance premiums are a significant part, many physicians choose to leave Hawaii to practice elsewhere. Other physicians choose not to see patients who are insured by Medicaid, which has a reimbursement rate that may not cover the cost of treating those patients. Your Committee finds that a tax credit equal to a percentage of the malpractice insurance premiums paid by physicians who see a large number of Medicaid patients would offset some of the cost of practicing medicine in Hawaii. Additionally, this tax incentive



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may encourage physicians to remain in Hawaii and continue to treat Medicaid patients.

Your Committee finds that the tax credit provided by this measure should be expanded to include clinics that employ physicians, physician's assistants, and advanced practice registered nurses and pay these providers' malpractice insurance premiums. Your Committee further finds that eligibility for the tax credit should be expanded to include physicians and clinics that are in rural areas of the State and those that take emergency calls. Your Committee believes that this would improve the health of Hawaii's residents by providing a greater incentive for physicians and clinics to treat underserved populations in the State.

Accordingly, your Committee has amended this measure by:

- (1) Changing the amount of the allowable tax credit to an unspecified percentage of the annual medical malpractice insurance premium;
- (2) Amending the definition of "qualified taxpayer" to include:
  - (A) Clinics that employ physicians, physician's assistants, and advanced practice registered nurses and pay these providers' malpractice insurance premiums;
  - (B) Physicians and clinics that are located in a rural area of the State and regularly treat patients from rural areas; and
  - (C) Physicians and clinics that respond to emergency calls;
- (3) Changing, within the definition of qualified taxpayer, the required percentage of Medicaid patients in a physician or clinic's caseload to an unspecified amount;
- (4) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (4) Making technical nonsubstantive amendments for the purposes of clarity, consistency, and style.



As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 595, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 595, S.D. 2.


Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,

  
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DAVID Y. IGE, Chair



The Senate  
 Twenty-Sixth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 595 SD1	HTH, WAM	2/24/11		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	✓			
KIDANI, Michelle N. (VC)				✓
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
ESPERO, Will	✓			
FUKUNAGA, Carol	✓			
KIM, Donna Mercado	✓ <i>W. M.</i>			✓
KAHELE, Gilbert	✓			
KOUCHI, Ronald D.	✓			
RYAN, Pohai	✓			
TOKUDA, Jill N.	✓			
WAKAI, Glenn	✓			
SLOM, Sam		✓		
<b>TOTAL</b>	11	1	0	2
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

\*Only one measure per Record of Votes