May 1, 2012

The Honorable Shan Tsutsui, President
and Members of the Senate
Twenty-Sixth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Calvin Say, Speaker
and Members of the House
Twenty-Sixth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Tsutsui, Speaker Say and Members of the Legislature:

I am transmitting herewith SB2101 SD1 HD2, without my approval, and with the
statement of objections relating to the measure.

SB2101 SD1 HD2

RELATING TO THE TRICARE PROGRAM.

Sincerely,

\[Signature\]

NEIL ABERCROMBIE
Governor, State of Hawaii
EXECUTIVE CHAMBERS
HONOLULU
May 1, 2012

STATEMENT OF OBJECTIONS TO SENATE BILL NO. 2101

Honorable Members
Twenty-Sixth Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, Senate Bill No. 2101, entitled "A Bill for an Act Relating to the TRICARE Program."

The purpose of this bill is to extend the repeal of the general excise tax exemption for amounts received from the TRICARE Program from December 31, 2013, to December 31, 2015.

Act 105, Session Laws of Hawaii 2011, temporarily suspended numerous exemptions from the general excise tax that were not related to the TRICARE Program. The temporary suspension of the exemptions in Act 105 expires on June 30, 2013. During the regular session of 2013, all of the general excise tax exemptions, including the exemption for the TRICARE Program, should undergo a fair and comprehensive review at the same time. Because the exemption for the TRICARE Program will not expire until December 31, 2013, there is no need to extend the expiration date of this single exemption now.

For the foregoing reasons, I am returning Senate Bill No. 2101 without my approval.

Respectfully,

NEIL ABERCROMBIE
Governor of Hawaii
THE SENATE
TWENTY-SIXTH LEGISLATURE, 2012
STATE OF HAWAII

S.B. NO. 2101
S.D. 1
H.D. 2

A BILL FOR AN ACT

RELATING TO THE TRICARE PROGRAM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that pursuant to the
authority granted by Congress under Title 10 United States Code
Section 1071 et seq., the United States Department of Defense
established the TRICARE program as the managed care component of
the Military Health System, a federal government program that
provides health care services to over nine million Americans,
composed of active duty, reserve, and retired members of the
United States uniformed services, their family members, and
survivors, including approximately one hundred fifty thousand
current and former service members and their family members who
reside in Hawaii.

The legislature further finds that the purpose and mission
of the TRICARE program is to ensure the availability of high-
quality, low-cost health care services to members of the
uniformed services and their families, which is crucial to
ensuring military readiness, national defense, and the health
and welfare of the residents of the State.
The TRICARE program augments the health care services provided by the United States Department of Defense personnel at military treatment facilities. TRICARE is a program of the Department of Defense, TRICARE Management Activity, which contracts with third-party administrators, known as "managed care support contractors", to establish and maintain networks of TRICARE-authorized civilian health care providers in various regions of the United States. On behalf of the United States Department of Defense, managed care support contractors make advances to health care providers, including doctors, hospitals, and other providers, for costs of health care services provided to TRICARE beneficiaries. The United States Department of Defense reimburses managed care support contractors for the actual cost or advancement made to third party health care providers.

In 2009, the legislature recognized that some uncertainty existed about whether the amounts received by a managed care support contractor of the TRICARE program for the actual cost or advancement to third party health care providers, on behalf of the federal government, are subject to the state general excise tax. In order to avoid increasing the costs of health care services delivered through the TRICARE program and any adverse
consequences to members of our uniformed services and their families from the increased costs, Act 70, Session Laws of Hawaii 2009, clarified that the amounts received by a managed care support contractor of the TRICARE program are not subject to the state general excise tax.

The purpose of this Act is to extend to December 31, 2015, the exclusion from the state general excise tax the amounts received by a managed care support contractor of the TRICARE program for the actual cost or advancement to third party health care providers, pursuant to a contract with the United States for the administration of the TRICARE program.

SECTION 2. Act 70, Session Laws of Hawaii 2009, is amended by amending section 4 to read as follows:

"SECTION 4. This Act shall take effect on July 1, 2009, and shall be repealed as of December 31, [2013+] 2015; provided that section 237-24, Hawaii Revised Statutes, shall be reenacted in the form in which it read on June 30, 2009."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2012.
APPROVED this day of , 2012

GOVERNOR OF THE STATE OF HAWAII