



HOUSE COMMITTEE ON FINANCE
Rep. Marcus Oshiro, Chair

Conference Room 308
Feb. 25, 2011 at 6:00 p.m. (Agenda #8)

LATE TESTIMONY

Opposing Items 21 and 22 in Section 3 of HB 1270.

The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. Our members employ more than 40,000 people statewide, delivering quality care to the people of Hawaii. Thank you for this opportunity to testify in opposition to Items 21 and 22 in Section 3 of HB 1270, which suspend the general excise tax exemptions for hospitals and prescription drugs.

Hospitals provide compassionate care to the most seriously ill and injured people in our communities 24 hours a day, seven days a week. However, many of these patients do not have the capacity to pay for the care that they receive. But hospitals have to find ways to pay for medical staff, equipment, and supplies that are required for care. As a result, Hawaii's hospitals incurred \$114 million in uncollected payments in 2009 for care provided to those who did not have health care insurance and did not have the financial capacity to pay for their care.

Hospitals also provide health promotion programs, disease management programs, specialized services for the elderly and adolescents, counseling clinics, and outpatient clinics for the underserved and uninsured. Payments for these services typically do not cover the actual costs. In addition, hospitals provide medical education for interns and residents in the John A. Burns School of Medicine. In this way the tax exemption helps to maintain the high level of health care in our communities.

The general excise tax exemption helps hospitals pay for these substantial community benefits. Without the tax exemption, hospitals would be forced to severely reduce or eliminate these benefits which would otherwise have to be provided by state government.

The suspension of the tax exemption would threaten the economic viability of hospitals, which are a significant component of our health care infrastructure. Notably, it would have a disproportionate effect on those hospitals serving rural communities.

For the foregoing reasons, the Healthcare Association opposes item 21 in Section 3 of HB 1270.

Prescription Drugs. Many individuals take prescription drugs for chronic medical conditions, such as heart disease, diabetes, chronic obstructive pulmonary disease (COPD), and asthma, that have life or death implications. The exemption from the GET for prescription drugs is intended to allow as full access as possible to these life-sustaining drugs. The application of the GET to prescription drugs will only increase the barrier to obtaining necessary prescriptions. According to a study published in the Annals of Internal Medicine, cost is the strongest predictor of prescription abandonment. Without the exemption, the health status of Hawaii's population can be expected to decline and could lead to an increase in the utilization of emergency rooms.

For the foregoing reasons, the Healthcare Association opposes item 22 in Section 3 of HB 1270.