



GOV. MSG. NO. 1199

EXECUTIVE CHAMBERS
HONOLULU

NEIL ABERCROMBIE
GOVERNOR

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,

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

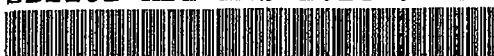
A BILL FOR AN ACT

RELATING TO THE TRICARE PROGRAM.

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

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

12 The legislature further finds that the purpose and mission
13 of the TRICARE program is to ensure the availability of high-
14 quality, low-cost health care services to members of the
15 uniformed services and their families, which is crucial to
16 ensuring military readiness, national defense, and the health
17 and welfare of the residents of the State.



1 The TRICARE program augments the health care services
2 provided by the United States Department of Defense personnel at
3 military treatment facilities. TRICARE is a program of the
4 Department of Defense, TRICARE Management Activity, which
5 contracts with third-party administrators, known as "managed
6 care support contractors", to establish and maintain networks of
7 TRICARE-authorized civilian health care providers in various
8 regions of the United States. On behalf of the United States
9 Department of Defense, managed care support contractors make
10 advances to health care providers, including doctors, hospitals,
11 and other providers, for costs of health care services provided
12 to TRICARE beneficiaries. The United States Department of
13 Defense reimburses managed care support contractors for the
14 actual cost or advancement made to third party health care
15 providers.

16 In 2009, the legislature recognized that some uncertainty
17 existed about whether the amounts received by a managed care
18 support contractor of the TRICARE program for the actual cost or
19 advancement to third party health care providers, on behalf of
20 the federal government, are subject to the state general excise
21 tax. In order to avoid increasing the costs of health care
22 services delivered through the TRICARE program and any adverse



1 consequences to members of our uniformed services and their
2 families from the increased costs, Act 70, Session Laws of
3 Hawaii 2009, clarified that the amounts received by a managed
4 care support contractor of the TRICARE program are not subject
5 to the state general excise tax.

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

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

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

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

20 SECTION 4. This Act shall take effect on July 1, 2012.

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

APPROVED this day of , 2012

GOVERNOR OF THE STATE OF HAWAII