



January 6, 2020

The Honorable Harry Kim
Mayor, Hawaii County
25 Aupuni ST, Suite 2603
Hilo, HI 96720

Dear Mayor Kim,

On behalf of the 51 physician members of the East Hawaii Independent Physicians Association (EHI IPA) our local Physician Shortage Task Force, and the wider Medical Community of the Big Island, I want to thank you and your team for meeting with us this morning. I trust that you found the discussion as productive as we did.

As we discussed,

- Hawaii Island is experiencing a critical physician shortage currently estimated at 44% and is expected to worsen as the population grows and current physicians continue to age.
- For a variety of reasons, the cost of providing medical care is high on the Big Island while professional reimbursement rates are among the lowest in the U.S. beginning with Medicare, Medicaid, and Commercial Insurance.
- Currently, State General Excise Tax (GET) and County Surcharges total to 4.7% of gross revenue. For many small, independent practices operating on slim margins, this tax rate along may equal or exceed the entire profit margin of these practices (other State and Federal taxes notwithstanding).
- The State has widely exempted hospitals and their employed physician from these taxes; however, this same tax relief does not extend to independent private practices. This fact severely hampers our ability to recruit and retain physicians interested in joining a private practice.
- Physician shortages also impact patients at a fundamental level by often placing them at undue risk, especially for many critical conditions. We transfer too many patients to Oahu for care that should be available locally in a region of our size.
- We realize that the current physician shortage is multi-factorial and that exempting professional services from GET is only one potential piece of the puzzle; however, it is front and center in the minds of local physicians who are working long and hard to serve the community while also working hard to keep their practices financially viable.
- Resolving the current physician shortage would provide a huge economic boost to the region.
- In addition to seeking your support, the Task Force is also actively engaging Congressional and State Legislative leadership about other possible solutions (e.g. increasing Medicare payments to the State of Hawaii).

We know that you are deeply concerned about this issue and the impact it has on the health and well-being of the residents of Hawaii Island and thank you for placing this issue squarely on your legislative



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priority list for 2020. We welcome your support to extend GET exemptions to all professional medical services while remaining open to work with you on any other creative ideas that might arise.

Thank you, again, for your time, attention, and support of the Big Island physicians and the patients they serve.

Sincerely,

Scott Kronlund, MD
Chief Medical Director
East Hawaii Independent Physician Association