Renew the Rural Medical Provider Tax Credit (SB 143 & HB 2443)

How the tax credit works:

- The Rural Medical Provider Tax Credit allows a nonrefundable credit against personal income taxes.
- In 2015, the Legislature created three tiers for the tax credit:
    - 10 to 20 miles from a community of 40,000 or more — $3,000
    - 20 to 50 miles — $4,000
    - 50 miles or more — $5,000
    - Those changes reduced the tax credit by $2.2 million or 15% annually.
- The original statute, passed in 1989, covered physicians, physician assistants and nurse practitioners. Certified nurse anesthetists were added in 1991, podiatrists and dentists in 1995, and optometrists in 1997.
- Costs to administer the program are covered by charging each applicant a $45 processing fee.

Eligibility:

To qualify, providers must:

- Practice at least an average of 20 hours per week in a rural area and be open to taking a meaningful number of Medicare and Medicaid patients.
- Earn less than $300k (Single or Joint) annually with exemptions for providers who deliver babies and general surgeons.
- Recipients are able to receive the tax credit for a maximum of 10 years beginning in 2018.

Efficacy:

The Legislature funded an evaluation of incentive programs during the 2015-17 Biennium.

- The Lewin Group, who conducted the evaluation wrote in their summary: “State tax credits and other subsidies have negligible recruiting effect on primary care physicians and small recruiting effect on NPs and PAs, yet have <u>a sizeable retention effect on eligible providers</u>.”
- Recruitment and retention are complex, and no single factor is likely to make the difference. Decisions to practice in rural areas are made based on a multitude of factors, including total compensation.
- Incentivizes far more practitioners than any other incentive program offered in Oregon.
- In 2018, 16 areas were identified as “target areas”. Of those, nine have seen increased provider FTE. Four of the areas with no provider FTE lack of basic infrastructure, meaning for incentives to make impacts in these communities, a clinic will need to open, or telehealth providers/services will need to be made available.

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History of Changes to the Rural Health Provider Tax Credit

2013 Adopted

New Medicare and Medicaid requirements.
Tax credit recipients' medical practices must be open to Medicare and Medicaid patients up to the percentages in their counties.

Revised part-time work requirements
Recipients must work at least 20 hours per week in rural communities. This was done to exclude retirees or professors from receiving the credit if their only practice was one day per week in a rural community.

2015 Adopted

$2+ million reduction by creating new eligibility tiers
Instead of a $5,000 tax credit for each recipient:

- 10-20 miles from an urban community receive $3,000
- 20-50 miles receive $4,000
- 50+ miles continue receiving $5,000

2017 Proposed

Focus on providers in more-rural communities and streamline administration. (Based on recommendations from the Lewin Report).

- Eliminate Tier 1 – 339 recipients (in 2015) saves $2,034,000 per biennium
- Create new "Frontier" tier for providers in counties with 6 or fewer residents per square mile
    - 399 recipients @ $7,000 per year costs $1,596,000 per biennium
- Add $1,000 credit for rural preceptors – Estimate TBD
- Add hospital-affiliated providers
    - Tier 2: 963 x $4,000 = $7.7M per biennium
    - Tier 3: 1,426 x $5,000 = $14.2M per biennium
- Add social workers, psychologists and counselors to Tiers 2 & 3 costs $7,692,000 per biennium

These changes were not pursued because all but one cost more, not less.

2017 Adopted

Means test the tax credit. A limit of $300k (Single or Joint) with exemptions for providers who deliver babies and general surgeons.

10-year limit – Recipients able to receive the tax credit for a maximum of 10 years beginning in 2018.

2021 Proposed

HB 2473 – Rep Reschke

- Removes tiered eligibility (all providers would receive $5000 credit regardless of distance from urban population center)
- Adds hospital affiliated providers.

HB 2352 – Rep Bonham

- Removes means test