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

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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 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.

Efforts to Streamline the Credit

The Oregon Rural Health Association and the Office of Rural Health has worked to streamline the Rural Medical Provider Tax Credit over the last decade to lower the cost, and align the Credit with its intended purpose—to help rural practices recruit and retain health care workforce.

Past Changes:

- **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.

Past Changes:

- **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

Past Changes:

- **2017 Proposed Changes**
- **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.

Past Changes:

- **2017 Adopted Changes**
- **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.
- These changes resulted in reducing the credit by roughly 25%.

Proposed Changes:

- **2021 Proposals**
- **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

What is the public policy purpose of this Rural Provider Tax Credit?

- The public policy purpose of the Rural Medical Provider Tax Credit: Increase access to health care for rural Oregonians
- Provides a monetary incentive to:

  Physicians,

  PAs,

  Nurse Practitioners,

  Certified Nurse Anesthetists,

  Podiatrists,

  Dentists

  Optometrists

Is there an expected timeline for achieving this public policy goal?

- Recruitment and retention of rural medical providers is an ongoing need.
- Challenges to recruiting providers in rural communities will continue and made worse by the challenges of the pandemic

Who directly benefits from the Rural Provider Tax Credit?

- Providers who practice in rural Oregon who see Medicare and Medicaid patients
- Rural facilities that are able to recruit and retain providers
- Rural Oregonians who have access to health care provided by providers who are able to receive the rural provider tax credit

Is the Rural Provider Tax Credit an effective and efficient way to achieve this policy goal?

- Lewin Report states the rural provider tax credit has a sizable retention effect on eligible providers
- Provider recruitment and retention are complex, and it is difficult to attribute a single factor as the reason a person chooses to practice in a rural community.
- Other factors:
  - Total compensation
  - Financial incentives
  - Quality of schools
  - Job prospects for their partner
  - Community

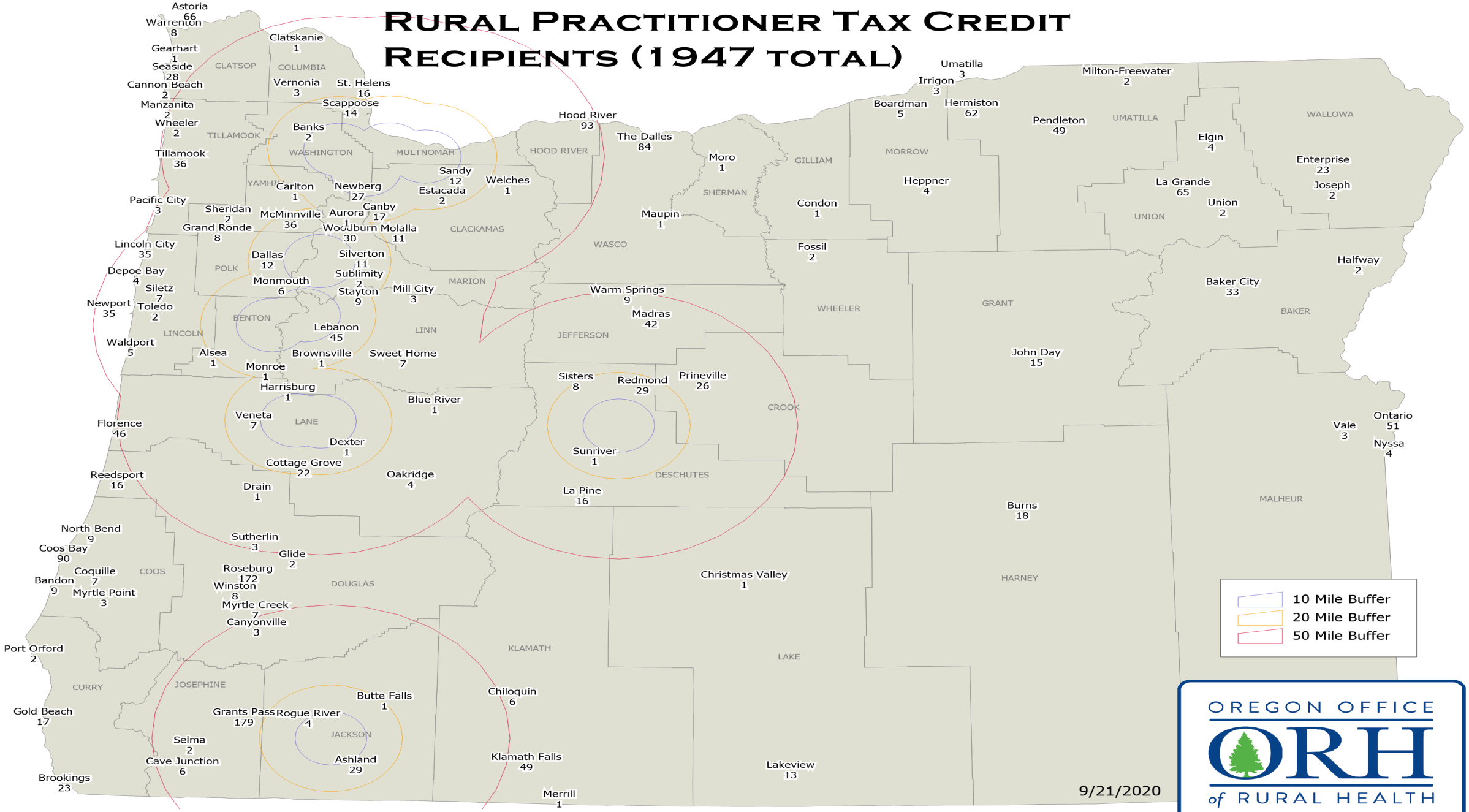
Would a direct appropriation achieve the goal of this incentive more efficiently?

- There are other direct appropriation that support provider incentive programs that focus on recruitment
- Provider Tax Credit is a way to focus on retention of providers
- Rural Provider Tax Credit is part of a package of state/federal provider incentive programs
  - Loan Repayment: PILP and SLRP
  - Loan Forgiveness: PCLF and SHOI
  - Liability Reinsurance Subsidy

What is expected to happen if this tax expenditure fully sunsets?

- Provider recruitment and retention is an ongoing challenge
- Sunset of this program would remove a vital tool from the toolbox that rural hospitals and clinics use to recruit and retain providers
- Pandemic has increase that level of uncertainty, making the tax credit even more essential
- Would limit the accessibility and availability of health care in rural Oregon.

Count and Location of All 2019 Oregon Rural Practitioner Tax Credit Recipients (1947 total)



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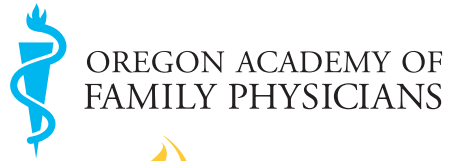
Supporters of Oregon Rural Provider Tax Credit