Renew the Rural Medical Provider Tax Credit - SB 143

Chair Nathanson, Chair Burdick, Members of the Joint Committee on Tax Expenditures,

I write to you today on behalf of a broad coalition of stakeholders in favor of renewing the Rural Medical Provider Tax Credit.

Rep. Nancy Nathanson, Co-Chair of the Tax Expenditures Committee issued a memo to her fellow House members outlining the questions she hopes policy committees will answer as they consider tax expenditures. The following testimony seeks to answer those questions.

What is the purpose of the tax credit?
The public policy purpose of the Rural Medical Provider Tax Credit is to increase access to health care for rural Oregonians. The credit accomplishes this by providing a monetary incentive to physicians, PAs, nurse practitioners, certified nurse anesthetists, podiatrists, dentists and optometrists to practice in rural Oregon.

Who benefits directly and indirectly from the tax credit?
Providers who practice in rural areas and serve Medicaid and Medicare recipients are the direct beneficiaries of this tax credit, as are the organizations seeking to recruit and retain providers in rural areas. Additionally, rural Oregonians benefit as well because they are able to access care delivered by providers you receive the incentive. The tax credit incentivizes far more practitioners than any other incentive program offered in Oregon.

Is there an expected timeline for achieving this public policy goal?
Recruitment and retention of rural medical providers is an ongoing need. For example, in a geographic location where there are two primary care physicians, if one of those retires or moves, that can leave a major access gap for residents in that area. The 2017 Lewin Report, a legislatively mandated evaluation of all of Oregon's provider incentives, noted that the tax credit was one of the few retention tools we have. The tax credit is part of a larger strategic statewide effort to increase access to healthcare in rural and urban underserved communities. The summary of the Lewin Report states the rural provider tax credit has a sizable retention effect on eligible providers.

Is the tax credit an effective and efficient way to achieve this public policy goal?
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. Decisions to practice in rural community are made based on a multitude of factors, including total compensation, financial incentives, quality of schools, job prospects for their partner, community, and countless others. Many other states have followed Oregon in offering tax

credits as part of a package, including Alabama, Georgia, Louisiana, New Mexico and Montana.

Could the credit be augmented?
The Legislature has made changes to the tax credit the last three times it has come up for renewal in order to maximize the impact of the credit at the least cost to the state. In 2013, Medicaid and Medicare service requirements were added. In 2015, the legislature added tiered levels of awards, based on distance from population centers. And in 2017, the Legislature added a $300k income cap with exemptions for providers who deliver babies and general surgeons, as well as a 10-year lifetime limit. These changes addressed two perceived weaknesses: specialists making larger salaries and providers that have remained in a rural area for longer than 10 years were no longer incentives by the credit.

Any further reductions to the credit would mean reducing or eliminating an essential tool that rural clinics and hospitals rely to recruit and retain providers. The most appropriate alterations to the credit from our perspective would be to expand the credit to more provider types and to remove the arbitrary hospital eligibility requirements that exclude a number of rural hospitals. We understand the current budget environment makes it difficult to expand.

What other incentives achieve a similar policy goal?
The Healthcare Workforce Incentive Fund offers a number of programs to providers willing to work in rural and urban-underserved practices. These programs have many of the same policy goals but are for the most part not specific to rural. While there are good policy reasons to incentivize providers to work in urban-underserved areas, the problem is that providing an equal "carrot" for both urban and rural devalues the rural incentive. Rural communities cannot compete when it comes to issues like employment opportunities for partners and education opportunities for children. The tax credit plays a complementary role as it reaches far more providers than the provider incentive fund, and is one of the few incentives we have that is *only* for rural.

The recruitment and retention of health care providers is going to continue to be a challenge, even in the best of times. Coming out of the pandemic, predicting the workforce needs has only become more difficult. Oregon has created a package of incentives – loan repayment, loan forgiveness and tax credits – that is working. Ending the Rural Provider Tax Credit would limit the availability and accessibility of health care in rural Oregon at a time when it can least afford.

We hope you will join us in supporting the extension of this important tax credit.
Sincerely,
Sam Barber
Oregon Rural Health Association


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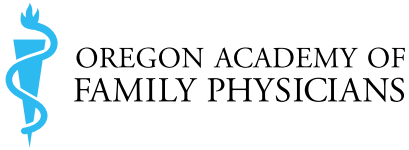
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