



January 30, 2025

House Committee on Behavioral Health and Health Care
Oregon State Legislature
900 Court St. NE
Salem, OR 97301

Re: Tax credits for rural health care providers – House Bills 2204, 2365, 2390, 2549, and 2591

Delivered electronically to via the Oregon Legislative Information System.

Chair Nosse, Vice Chairs Javadi and Nelson, and Members of the Committee:

The Hospital Association of Oregon appreciates the opportunity to express our support for tax credits for rural health care providers. We support tax credits as a tool to retain high-mobility, licensed health care providers in rural and frontier areas of Oregon. This has been the goal of the tax credits since the creation of the program 36 years ago.

History of the tax credits

The rural medical provider tax credit program's creation by the Oregon Legislature in 1989 within the state tax code began as a \$5,000 nonrefundable credit against personal income taxes for physicians, physician assistants, and nurse practitioners in rural areas of the state. This has been extended and expanded over the years through legislation to include additional providers—certified registered nurse anesthetists, dentists, optometrists, and podiatrists—while also setting stricter eligibility requirements and limiting tax credit amounts. Currently the tax credit has a 10-year limit per recipient set at \$3,000, \$4,000, or \$5,000 depending on the degree of rurality of the provider's practice location. The current program will sunset in tax year 2026 without renewal.

Tax credits as a tool for provider retention

In 2015, the Legislature passed House Bill 3396 to study and evaluate Oregon's health care workforce incentive programs in light of then current and projected health care workforce shortages. The subsequent 2016 report by the Lewin Group for the Oregon Health Authority found that providing incentives to specified providers "in the form of tax credits and insurance subsidies would help in the effort to retain them within the state and will have the effect of increasing the amount of services supplied to rural locations in Oregon."¹ While the state has several other workforce incentive programs

¹ Lewin Group (2016). Data Analysis, Evaluation, and Recommendations Concerning Health Care Workforce Incentives in Oregon. <https://www.oregon.gov/oha/HPA/HP-HCW/Documents/Oregon%20Lewin%20%20Final%20report.pdf>



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that recruit people to work in rural Oregon, this tax credit is one of the few incentives that influences the long-term retention of providers.

Over the period of 2011 to 2020, this program has made available tax credits to 4,380 practicing professionals with those providers claiming this incentive for an average of seven years.² The number of eligible providers has declined slowly but steadily between 2018 and 2023 by nearly 1,000 providers.³ The “Evaluation of the Effectiveness of Health Care Provider Incentive Programs in Oregon” report by the Oregon Health Authority in February 2023 conjectured that this decline may be a function of statutory changes in recent biennia regarding eligibility for the credit including limits to the number of years the credit can be claimed.⁴

Workforce needs in rural Oregon

In the Oregon Health Care Workforce Needs Assessment released by the Oregon Health Authority in January 2025, it was found that “rural and remote areas have greater unmet health care need than urban areas in Oregon”.⁵ The Oregon Office of Rural Health 2024 Oregon Areas of Unmet Health Care Need report, which analyzes community-level data on access to care and health care workforce capacity, further details the continued need for health care providers in rural and frontier Oregon. In its analysis, 67 of the 69 service areas that score lower than the statewide mean (49.7) for unmet need are rural or remote.⁶

Thank you for the opportunity to engage on behalf of our members and the communities they serve, which include 37 rural hospitals and the 1.5 million Oregonians that live in rural and frontier areas of the state.

Sincerely,



Travis Meuwissen
Director of Government Affairs
Hospital Association of Oregon

² Evaluation of the Effectiveness of Health Care Provider Incentive Programs in Oregon, February 2023, page 36, Oregon Health Authority, <https://www.oregon.gov/oha/HPA/HP-HCW/Documents/2023-Evaluation-of-Health-Care-Provider-Incentives-Report.pdf>

³ Oregon’s Health Care Workforce Needs Assessment, January 2025, Oregon Health Authority, page 32, <https://www.oregon.gov/oha/HPA/HP-HCW/Documents/2025-Health-Care-Workforce-Need-Assessment-report-final.pdf>

⁴ Evaluation of the Effectiveness of Health Care Provider Incentive Programs in Oregon, February 2023, page 37, Oregon Health Authority, <https://www.oregon.gov/oha/HPA/HP-HCW/Documents/2023-Evaluation-of-Health-Care-Provider-Incentives-Report.pdf>

⁵ Oregon’s Health Care Workforce Needs Assessment, January 2025, Oregon Health Authority, page 17, <https://www.oregon.gov/oha/HPA/HP-HCW/Documents/2025-Health-Care-Workforce-Need-Assessment-report-final.pdf>

⁶ Oregon Areas of Unmet Health Care Need Report, September 2024, page 5, Oregon Office of Rural Health, https://www.ohsu.edu/sites/default/files/2024-09/AUHCN%20Report_2024%20-%20FINAL%202.pdf



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About the Hospital Association of Oregon

Founded in 1934, the Hospital Association of Oregon (HAO) is a mission-driven, nonprofit trade association representing Oregon's 61 hospitals. Together, hospitals are the sixth largest private employer statewide, employing more than 70,000 employees. Committed to fostering a stronger, safer, more equitable Oregon where all people have access to the high-quality care they need, the hospital association supports Oregon's hospitals so they can support their communities; educates government officials and the public on the state's health landscape and works collaboratively with policymakers, community based organizations and the health care community to build consensus on and advance health care policy benefiting the state's 4 million residents.



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