



Oregon Office of Rural Health

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Testimony in Favor of SB 325  
Joint Committee on Tax Credits  
May 30, 2013

Scott Ekblad, Director, Oregon Office of Rural Health

Chairs Burdick and Barnhart, Members of the Committee:

The Rural Practitioner Tax Credit is administered by the Oregon Office of Rural Health. It was created by the Oregon Legislature in 1989, the same year our office was moved from the State Health Division to Oregon Health & Science University. The first credits were granted for tax year 1990, to physicians, physician assistants and nurse practitioners. Certified Registered Nurse Anesthetists (CRNAs), podiatrists, dentists and optometrists were added in later sessions, all with different sets of eligibility criteria.

The Office of Rural Health does many things to support the health care infrastructure in rural Oregon, and one of them is assist in the recruitment and retention of the rural health care workforce. The Rural Provider Tax Credit is one of the most effective tools we have in that effort. You will hear later from my colleagues just how valuable this program is to our rural providers.

Physicians (MDs and Dos) and podiatrists (DPMs) may be considered eligible if 60% or more of their professional practice time is spent in a rural Oregon community and:

- who are on the medical staff of a Type A or Type B rural hospital so long as the Type B hospital is not located in a Metropolitan Statistical Area (MSA). Oregon's MSAs include Multnomah, Clackamas, Washington, Polk, Yamhill, Marion, Lane, Deschutes and Jackson counties; or
- who are on the medical staff of a Type B rural hospital that is located in an MSA so long as the hospital is 30 or more highway miles from the major population center in the MSA (Peace Harbor Hospital in Florence is the only hospital in this category); or
- who are on the medical staff of an "exceptional" Type C hospital or a Critical Access Hospital; or
- who are not on the medical staff of any Oregon hospital, but whose practice is 60% or more "rural"; or
- who are on the staff of an ineligible hospital, but whose practices are located outside the immediate service area of the community where the hospital is situated, whose practices are deemed eligible by the Office of Rural Health, and whose options for

medical staff membership are limited by geographic or other circumstances to an otherwise ineligible hospital.

Nurse Practitioners and Physician Assistants may be considered eligible if their practices are 60% or more "rural."

Optometrists may be eligible for the tax credit if they have consulting privileges with an eligible rural hospital, or qualify as a "rural health practitioner" by maintaining a primary practice (60% or more time) in a county that is defined by the Oregon Office of Rural Health as "frontier." (Baker, Gilliam, Grant, Harney, Lake, Malheur, Morrow, Sherman, Wallowa, and Wheeler)

Dentists may be eligible if they practice in a frontier county or in a town of less than 5,000 people located at least 25 miles from another source of full-time dental care.

CRNAs may be eligible if they are employed by, or have a contractual relationship with, a qualifying Critical Access, Type A, B, or exceptional C rural hospital.

Practitioners who have spent a partial year practicing in an eligible area may be eligible for a pro-rated tax credit.

Practitioners apply to the Office of Rural Health. The Office determines their eligibility and passes that information along to the Department of Revenue. Individual practitioner eligibility is reconfirmed every year thereafter.

Just over 2,000 providers qualified for the tax credit in tax year 2011, representing \$8.5 million. The fiscal impact for the biennium will be approximately \$17 million.

It is safe to assume that the intent of the program was to increase the availability of providers in rural Oregon. Since 1991 the number of physicians receiving the credit has increased from 538 to 1,245. The number of nurse practitioners and physician assistants increased from 115 to 665. Recent data, however, shows an alarming reversal in this trend, a cause for great concern as we anticipate large increases in the number of people who will be covered by Medicaid and other insurance beginning in 2014.

I believe this program can be fine tuned, and joined with the Oregon Rural Health Association to recommend some revisions that are now contained in amendments to this bill. They are:

- Recipients must agree to keep their practices open to Medicare and Medicaid recipients. We assume this will result in a decrease of providers who claim the credit, but we cannot estimate with any accuracy.

- Recipients must practice in a qualifying rural area an average of 20 hours per week (rather than 60% or more of their practice in a rural community, which allows for people with very part-time practices to claim the credit). Our best estimate is that this will exclude 84 current recipients, resulting in a \$84,000 savings per biennium.
- Geographic eligibility criteria revised from “10 or more miles from a community of 40,000 or more” to “10 or more miles from a community of 30,000 or more,” with an exception for those communities with 10 or fewer providers. This excludes 230 current recipients in the communities of McMinnville, Canby and Grants Pass, as you can see on the attached map, but retains those in Yamhill and Rogue River. This would result in savings to the program of \$2,300,000 per biennium.

If this credit is allowed to sunset, we will surely see further decline in the number of providers available to rural Oregonians. I believe that trend would grow over time, as current recipients see this program as even more important as a retention tool as it is a recruitment incentive. While this program can be seen as having complex working criteria, those complexities mean very important incentives to the rural health care workforce and very real access to care for rural Oregonians. Please allow SB 325 to be amended as needed and, ultimately, pass it to preserve this very important recruitment and retention tool.

Thank you for this opportunity and please let me know if I can be of further assistance.

