There appear to be no other states that offers a similar tax credit.

Other Issues

The administrative costs of this tax credit are born by the DCBS, the DOR, and insurance companies. Given the infrequent use of the tax credit, these costs are likely to be marginal and vary over time.

In Summary:

Advantages	• May reduce the cost of insurance policies
Disadvantages	• Recovery of the assessment is spread over five years
Potential Modifications	• Change the number of years over which the tax credit is claimed

TRICARE for Health Care Providers

ORS 315.628, 315.631	Year Enacted:	2007	Transferable:	No
	Length:	1	Means Tested:	No
	Refundable:	No	Carryfoward:	None
TER 1.459	Kind of cap:	Taxpayer	Inflation Adjusted:	No

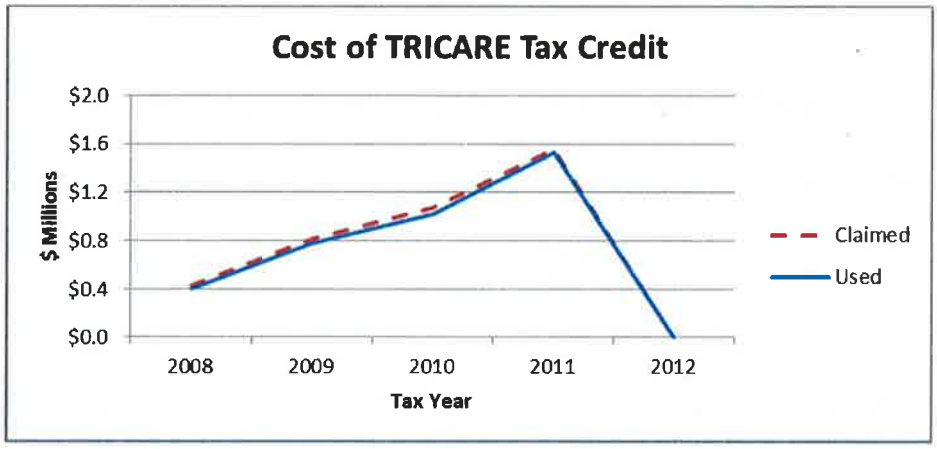
Policy Purpose

Testimony for the implementing legislation (2007 HB 3201) suggests that the tax credit is intended to increase the number of health care providers accepting TRICARE patients, thereby increasing access to health care for Oregon veterans. An argument for the higher, first-year tax credit was to offset the costs of training providers in navigating the TRICARE billing process. It was argued that TRICARE payments are tied to Medicare payments and such payments in Oregon are low compared to those of other states. Consequently, medical providers are limited in how much of their practice can be devoted to patients where TRICARE is the only payment option for patients.

Description and Revenue Impact

Health care providers who contract to provide services under the TRICARE military insurance program were allowed a tax credit against personal income taxes. An initial (one-year) credit of $2,500 is allowed for providers who first enter into a contract on or after January 1, 2007. Annual credits of $1,000 are allowed for subsequent tax years as long as the contract is continued. (Taxpayers who were contract providers prior to January 1, 2007 are only allowed the $1,000 credit.) To be eligible for the credit, providers must provide service for at least ten patients annually. If services are provided in a rural community – as defined by the Office of Rural Health – there is no minimum requirement. The Office of Rural Health is responsible for the eligibility criteria and tax credit certification. The maximum number of certified providers that may claim the credit was limited to 500 in 2008, 1,000 in 2009, 1,500 in 2010, and 2,000 in 2011. No additional providers were to be certified after 2011.

The chart below shows the revenue impact of the credit for tax years 2008 through 2012. The use of the credit increased from $400,000 in 2008 to $1.5 million in 2011. (Current statute has been interpreted to allow no certifications beginning with tax year 2012, so no tax credits have been used since 2011.) During that time the number of claimants increased from 290 to about 1,160. Despite this increase, the annual caps were not reached. Full-year filers represented 96 percent of all claimants during those four years.



Policy Analysis

Given the policy discussions at the time this tax credit was created, the key issue is whether or not the tax credit increased the number of providers accepting TRICARE insurance. TRICARE is a health care insurance program for active duty military, their dependents, and military retirees. It is likely to be most important for those who do not have access to military health facilities or the VA system.

Given the presumed policy purpose of this tax credit, the ideal way to measure its effectiveness is to compare the number of medical professionals who accepted TRICARE payments prior to the availability of the tax credit and after it was implemented. A recent report by the Government Accountability Office (GAO) found that roughly 33 percent of nonenrolled beneficiaries

experienced problems finding a civilian provider who accepted TRICARE. [3] This percentage is a national figure and did vary by location. They also found that roughly 60 percent of civilian providers did accept TRICARE patients. The most common reason given for not accepting the insurance was lack of familiarity with the program.

At the time this credit was created, the Legislature also adopted a supplemental tax policy intended to enhance the monetary incentive for accepting this insurance. They created an income tax subtraction for medical providers in the amount of TRICARE payments received during the first two years of participating in the program. The subtraction was not used extensively (fewer than 50 claimants in 2011) and was allowed to sunset in 2012.

There appear to be no other states that offer a similar tax credit.

Other Issues

The administrative costs of this tax credit were born by the ORH, the DOR, and medical providers. With interpretation of current statute, the tax credit has not been used since 2011 so there should no current administrative costs.

In Summary:

Advantages	• May have increased access to medical care
Disadvantages	• Not currently in effect
Potential Modifications	• Allow more certifications • Adjust size of the tax credit

[3] TRICARE has three basic plans: Prime, Standard, and Extra. "Nonenrolled" refers to members who are not enrolled in the Prime program.

Oregon Veterans' Home Physician

ORS 315.624	Year Enacted:	2007	Transferable:	No
	Length:	1	Means Tested:	No
	Refundable:	No	Carryfoward:	None
TER 1.460	Kind of cap:	Taxpayer	Inflation Adjusted:	No

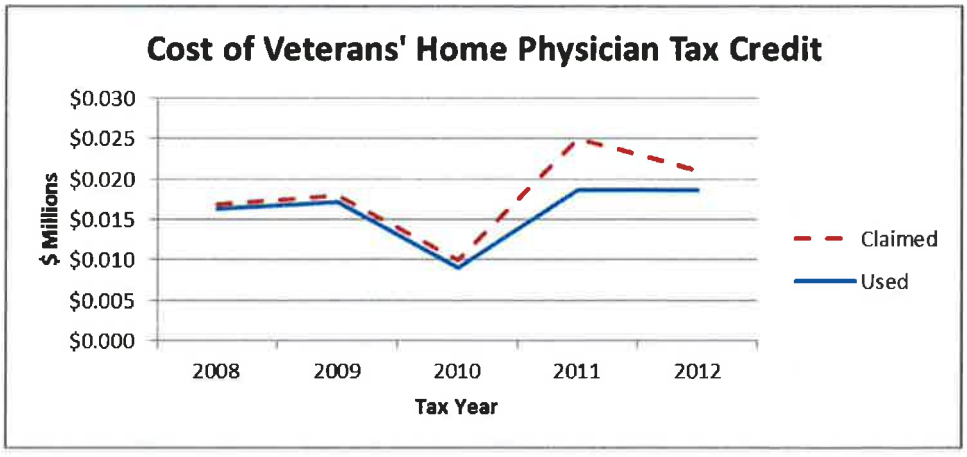
Policy Purpose

Testimony for the implementing legislation (2007 HB 3201) suggests that the tax credit is intended to increase the number of health care professionals providing long-term care to Oregon veterans, thereby increasing the number of veterans receiving such care. The credit effectively increases the take home pay for physicians providing the qualifying care. This may entice some physicians to provide these services who otherwise would not.

Description and Revenue Impact

Physicians who provide medical care to residents of an Oregon Veterans' Home are allowed a credit against personal income taxes. The credit is $1,000 for every eight residents to whom the physician provides care, up to $5,000. To qualify for the credit, a physician cannot miss more than five percent of scheduled visits with residents as verified by a letter from the Oregon Veterans' Home. The letter must be submitted with the corresponding tax return. A qualifying taxpayer may claim both this credit and the rural medical practitioner tax credit.

The chart below shows the use of this credit has varied between $10,000 and $25,000 per year between 2005 and 2012. During the first three years, more than 90 percent of the amount claimed was used to offset tax liability. For tax years 2011 and 2012, that figure fell to an average of 80 percent.



Policy Analysis

Given the policy discussions at the time this tax credit was created, the key issue is whether or not the tax credit increased the number of medical providers offering their services to patients and an Oregon Veterans' Home.

In 1995 the Legislature authorized the creation of two long-term care facilities for Oregon veterans. The first one opened in The Dalles in 1997. It has the capacity to care for up to 151 residents who require long-term skilled nursing care, Alzheimer's and dementia-related care, or inpatient/outpatient rehabilitative care. It applies to veterans, their spouses, and parents who have lost a child to war-time service. A second home opened in Lebanon in 2014 that can house up to 154 residents. Legislation in 2011 enabled a third to be built in Roseburg.

There appear to be no other states that offer a similar tax credit.

Other Issues

The administrative costs of this tax credit were born by the DOR, the Oregon Veterans' Home (tracking services) and medical providers. The marginal cost to DOR is likely to be minimal and the cost to taxpayers pertains to maintaining tax records in the event they are subject to an audit.

In Summary:

Advantages	• May increase access to health care for Oregon veterans
Disadvantages	• Individual cap • Non-refundable
Potential Modifications	• Adjust to inflation • Change the patient requirement

Appendix D

Tax Credit Committee Policy Questions

When reviewing the tax credit sunset extension bills and proposed new credits, the Joint Committee on Tax Credits intends to address the follow questions:

- What is the public policy purpose of this credit? Is there an expected timeline for achieving this goal?
- Who (groups of individuals, types of organizations or businesses) directly benefits from this credit? Does this credit target a specific group? If so, is it effectively reaching this group?
- What is expected to happen if this credit fully sunsets? Could adequate results be achieved with a scaled down version of the credit? What would be the effect of reducing the credit by 50%?
- What background information on the effectiveness of this type of credit is available from other states?
- Is use of a tax credit an effective and efficient way to achieve this policy goal? What are the administrative and compliance costs associated with this credit? Would a direct appropriation achieve the goal of this credit more efficiently?
- What other incentives (including state or local subsides, federal tax expenditures or subsidies) are available that attempt to achieve a similar policy goal?
- Could this credit be modified to make it more effective and/or efficient? If so, how?