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

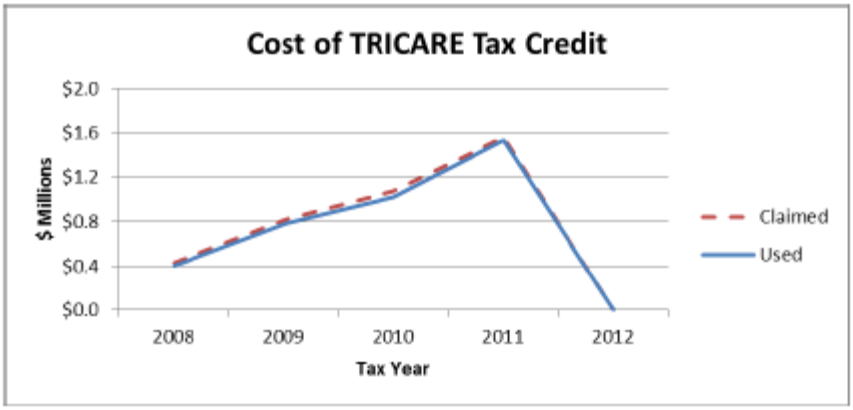
Policy Purpose

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. [7] 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