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Chair Nosse, Vice Chairs Goodwin and Nelson,

My name is Robert Duehmig and I am the Interim Director of the Office of Rural Health (ORH). The ORH offers technical assistance to support Oregon's rural hospitals, clinics, EMS and communities. In addition, we have a fulltime workforce recruiter who supports rural and underserved facilities, works with licensed providers wanting to work in a rural community and students looking for rural opportunities. We also administer a number of provider incentives, including loan repayment, loan forgiveness, medial liability reinsurance and tax credits. Some of these programs are done through a federal grant and others through inter-governmental agreements with the OHA.

As there are a number of bills focusing on the tax credits as one way to address the healthcare workforce shortages, I want to give a bit of background on the tax credit program.

The rural provider tax credit was created by the legislature in 1989 as a tool to assist in the recruitment and retention of primary care providers in rural Oregon. The tax credit was originally focused on physicians, but expanded over the years to include other providers including PAs, NPs, dentists, Certified Nurse Anesthetists, podiatrists and optometrists. A second tax credit was created for rural, volunteer EMS personnel in 2005.

There have been a number of other changes to the tax credit over the years. They include:

- ✓ Tiering to determine the amount of tax credit received,
  - Tier 1: 10-20 miles from the centroid of a community with a population of 40,000 or more = $3,000
  - Tier 2: 20-50 miles from the centroid of a community with a population of 40,000 or more = $4,000
  - Tier 3: 50+ miles from the centroid of a community with a population of 40,000 or more = $5,000
- ✓ Income cap of $300k with the exception of OB, general surgeons and ER docs in frontier counties,
- ✓ Reinstatement of the 10-year maximum eligibility to receive the tax credit.

In 2016, OHA contracted with the Lewin Group to review the effectiveness of Oregon's provider incentive programs. The report found that as part of a larger program of provider incentives, the provider tax credit did work to retain providers. The report also stated "The main conclusion of this report is that all incentive programs analyzed are successful in increasing the number of providers in rural areas in Oregon. Some programs are better recruiting tools, while other programs are better retention tools." You can find the report here.

During the 2021 legislative session, the Revenue Committee asked tax credit programs to use the following questions to help in their discussion of the effectiveness of task credits:

- ✓ What is the public policy purpose of this tax expenditure (TE)? (for example, reduce hunger, or increase post-secondary enrollment and therefore create a more highly skilled labor force)
- ✓ Is there an expected timeline for achieving this public policy goal?
- ✓ Who directly benefits from this TE? Does it target a specific group? If so, is it effectively reaching this group? (for example: Who? Groups of individuals, types of organizations or businesses. How many? What are their demographic characteristics?)
- ✓ Is the TE an effective and efficient way to achieve this policy goal? What are the administrative and compliance costs associated with this credit? Is there a cost/benefit analysis?
- ✓ What background information on the effectiveness of this type of TE is available from other states?

The ORH has used these questions to guide the discussion of tax credits. The tax credit is one tool in our toolbox to support the recruitment and retention of a mobile healthcare workforce. Other tools include loan repayment, loan forgiveness and important pipeline programs like the Oregon Area Health Education Centers (AHEC). Of all the tools, tax credit is a key retention incentive.

I would be happy to answer any questions you might have concerning the provider tax credit.