Tax Credit for Healthcare Preceptors in North Carolina

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Currently in North Carolina, rural areas are facing a major deficit in the healthcare workforce, decreasing healthcare delivery to a historically marginalized group. Implementing a tax credit for medical professionals in North Carolina who precept students would incentivize more practitioners to train students and bolster healthcare deliverance in rural areas. Furthermore, rural preceptorships have taught students how to manage a balance between policy and community ethos.[1] Recognizing the benefits that preceptorships can offer, Georgia, Maryland, Colorado, and Hawaii have established new tax incentives for medical practitioners. These incentives are directly applied to their state tax returns, reducing the amount the preceptors must pay each year. While little evidence exists about the fiscal impacts of these specific programs, financial incentives are the most influential way to prompt practitioners to begin working as a preceptor.[2] By expanding the workforce and increasing accessibility to care in rural areas, establishing a tax credit program in North Carolina would ultimately reduce healthcare costs in the state.

Policy Options

Similarities Between the Four States' Programs

There are key similarities between the four newly developed tax incentive programs. Firstly, the general purpose of the various programs all have a similar scope: to assist community-based practitioners in low-resource areas with workforce shortages. The ultimate goal is to encourage more students to pursue medical careers and stay within the state to increase the medical workforces. Eligibility in all of the states is extended to nurse practitioners and licensed physicians, with Georgia, Colorado and Hawaii additionally extending to family medicine, pediatrics, internal medicine, and osteopathic medicine. Colorado, Georgia and Hawaii give the option for medical practitioners to be certified through the Statewide Area Health Education Centers, but for most, besides Georgia, this is not a requirement. All of the states have a requirement that the physicians cannot receive monetary compensation for their role as a preceptor. Instead, they receive a $1,000 tax credit for each preceptorship (e.g., physicians in Maryland receive $1,000 per student), providing a tangible incentive to register for the programs. Georgia and Maryland have a $10,000 cap on the amount of tax deductions or credits that an individual physician could accrue annually (see Figure 1).

Differences Between the Four States' Programs

Georgia

In 2014, Georgia implemented the first of these programs.[3] Georgia differs from other states because it has been forced to tackle bidding wars for community-based physicians, leading to instability in the field and an emphasis on physician compensation over medicine. This program additionally aims to expand medical coverage to families throughout the state.[4] In terms of registration, Georgia is the only program that requires educational institutions and medical practitioners to register through the Statewide Area Health Education Center.[5]

Georgia allocates deductions based on each preceptorship rotation; there must be a minimum of 3 rotations to qualify and a maximum of 10, with 160 hours of teaching required for each rotation. Multiple students can be used to constitute those 160 hours, such as having two students who require 80 hours each.[6] This program will cut down the costs for individual educational institutions; without it, institutions would be forced to pay a total of $7,219,500 to recruit professionals to mentor students.[7] This additional cost would lead to a hike in tuition, which is out of reach for many medical students. Better-funded out-of-state educational programs are willing to pay more for the preceptors that Georgia seeks.[8] This incentivizes healthcare workers to migrate elsewhere, creating a debilitating 'brain-drain' in Georgia's healthcare system. Therefore, the program is necessary for the retention of needed healthcare workers.

Key Vocabulary

Tax Deduction vs. Credit:

- Tax Credit directly decreases the amount of taxes you owe; can be refundable
- Tax Deduction lowers your overall amount of taxable income; nonrefundable
- Ex) If you're in the 25% tax bracket, a $1,000 deduction lowers your taxes by $250. A $1,000 credit lowers the bill by the full $1,000.

Preceptorship:

- When a practicing medical professional provides personal instruction, training, and supervision to a medical student or young professional

Sunset Clause:

- A measure within a state regulation or law that indicates that the law should cease to be in effect after a certain date, unless further legislation is enacted to extend the law

Colorado

Colorado's preceptor tax credit program is a pilot that is scheduled to run from the year 2017 to 2020.[9] Colorado is unlike other states that allocate a certain amount of funds; instead, there is a cap of 200 preceptors able to take advantage of the tax credit.[10] Colorado only allows physicians to access a single $1,000 tax credit, regardless of the number of students each practitioner takes. Colorado enables a wider array of primary care preceptors, beyond physicians and nurse practitioners, such as dentists, to access the tax credit.[11] The time commitment for preceptors differs from other states by measurement in days rather than hours; the state mandates a minimum 28-day preceptorship to qualify for the tax credit benefits.[12]

Despite having a smaller program than other states, Colorado was the only state in which a fiscal analysis was available. Michelle Mills of the Colorado Rural Health Center quantifies that one rural provider adds an annual economic benefit of $889,000 and supports another 23 jobs.[13] Therefore, even though Colorado has a small scale rollout of the preceptor program, the state still demonstrates the immense economic benefits of tying tax credits to encouraging mentorship in rural healthcare.

Figure 1

	Georgia	Maryland	Colorado	Hawaii
Year of Implementation	2014	2017	2017	2019
Tax Credit or Tax Deduction?	Deduction	Credit	Credit	Credit
Max Annual Credit Per Preceptor	$10k	$10k	$1k	$5k
System of Evaluation in Place	No	No	No	No

Maryland

Maryland's program was first implemented in 2017 to address the lack of physicians serving in rural areas (see Figure 2). The program addresses the lack of physicians serving select populations within those areas, including low income families, prisoners, and migrant workers.[15] Preceptors who complete 3 rotations of 160 hours and nurse practitioners who complete 3 rotations of 100 hours are eligible for a $1,000 tax credit. These preceptors must be working in areas with a healthcare workforce shortage.[16]

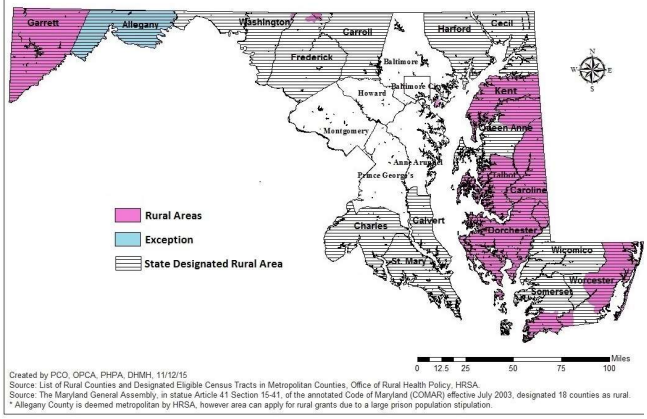
One distinctive feature of Maryland's program, differing from Colorado's, is that preceptors earn $1,000 per student, with a maximum of 10 students, rather than $1,000 total.[17] Providing a financial incentive, based on the number of students mentored, incentivizes medical professionals to precept multiple students. Thus, more physicians and nurse practitioners are able to be trained and begin serving populations who previously had limited access to such healthcare services.

Another aspect of Maryland's program that differs from the other states is that there is an explicit yearly budget of $100,000 for the program.[18] This budget is useful because it allows the state to clearly assess the cost of the precept tax credit prior to its implementation.

Though Maryland's program is clearly laid out, no evaluation of the fiscal impact has been performed. For such an analysis to be conducted, the monetary benefits of increased access to healthcare for rural populations would need to be determined. Only then, will the full fiscal impact be understood.

Figure 2[14]

Federal and State Designated Rural Areas in Maryland

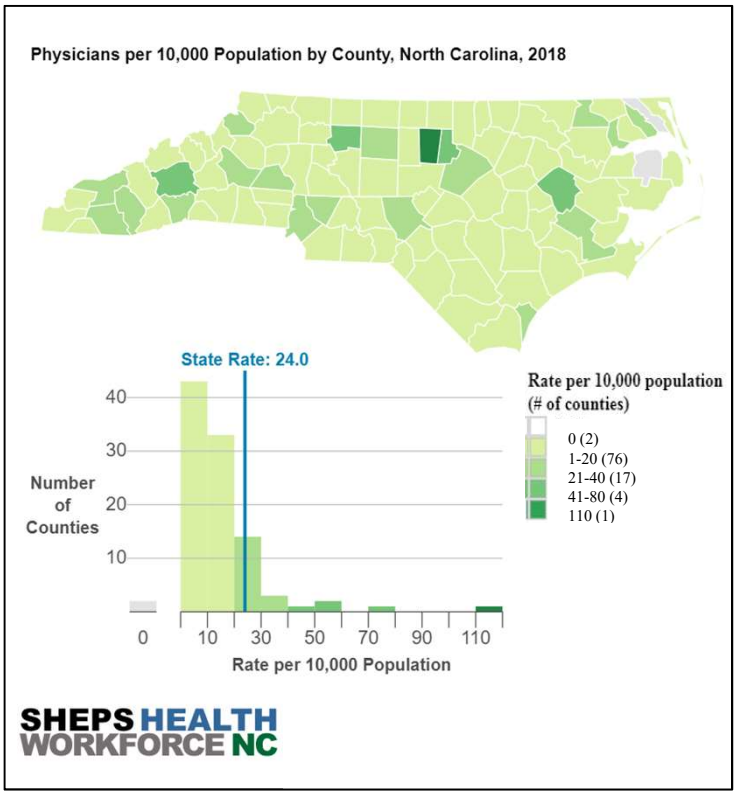


Hawaii

Hawaii is implementing a tax credit which they hope will incentivize more healthcare professionals to offer preceptorships. While other states have been reserved in their allocation of credits, Hawaii has elected to be liberal in its allowance. This generous distribution is reflected by offering credit to pharmacists and dental hygienists, unlike Maryland which offers credit solely to nurse practitioners and primary care physicians.[19] This policy has been deemed "forward-looking" by the Dean of Hawaii's medical school, as it supports Hawaii's mission to promote "one-stop shop" clinics where patients can receive physical, dental, and pharmaceutical care.[20] Furthermore, Hawaii has capped the allowance of credits to $1,500,000, which is significantly more than Maryland or Colorado.[21] However, Hawaii awards less per physician than Georgia or Maryland, allowing only up to $5,000 per physician per taxable year. By capping the credit amount lower than other states, Hawaii can ensure more practitioners can utilize the credit. While other states have minimum rotations, Hawaii's legislation does not require practitioners to have mentored a certain number of students, and only requires 84 hours of supervision. Given the program's recent launch in December of 2018, information regarding its fiscal impact on the state remains to be seen.

Policy Recommendation

Figure 3 [22]



Similar to the states described above, North Carolina is currently experiencing a shortage in healthcare workers in rural areas. Two counties in North Carolina, Tyrrell and Camden, currently have no physicians and 43 counties have 10 or fewer physicians per 10,000 people living in the county (see Figure 3). This shortage of healthcare workers is not solely applicable to physicians. Rather, 34 counties in the state have no psychologists, 11 counties have no optometrists, and 2 counties have no dentists.

Because of this shortage in medical professionals, North Carolina lawmakers could implement a tax credit program for healthcare precepts that is not solely applicable to physicians. Similar to Colorado's program, it should apply to all healthcare professions with a shortage. Further research should be conducted to determine which medical professions have shortages.

All states lack a substantive, transparent analysis of the programs' effectiveness. This lack of available data demonstrates why North Carolina should consider implementing a tax data analysis program that would track progress and report on the success of its preceptorship tax credits to encourage rural healthcare development. North Carolina should examine adopting a pilot program with a sunset clause. This would allow the state to test and measure the effectiveness of a preceptorship tax credit before rolling out the measure in the entire state. Establishing a sunset clause, or expiration date of legislation, has forced state legislators that enact tax credits to periodically evaluate the success of tax bills.[23] Moreover, a sunset clause would allow General Assembly members to be held accountable to North Carolina constituents, by allowing them to examine the program's effectiveness.

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