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# Tax Incentives for Precepting: How Do They Work and Are They Making a Difference?

*Colorado's Rural and  
Frontier Healthcare  
Preceptor Tax Credit*

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COLORADO ACADEMY OF  
FAMILY PHYSICIANS



# Conflicts

- No conflicts of interest to disclose

# Goals

## Support Rural Medicine

- Shortage of rural primary care physicians/providers needs solving

## Maintain & Increase Rural Preceptors

- Training falls to those who have been doing it
- Recruitment and Retention tool

## Increase Students' Rural Exposure

- More students wanting a rotation than there are preceptors
- Develop pipeline of rural physicians

# Legislative History

- HB15-1238 – failed to pass
- HB16-1142: Created the Rural and Frontier Healthcare Preceptor Tax Credit
  - Had to explain what a preceptor is
  - Eligible for \$1,000 tax credit for precepting *students* (not residents) for total of at least 4 weeks
    - Definition of week was controversial, plagued implementation
  - Primary Care Physician, PA, APRN, DDM, DDS eligible
  - Capped # of credits at 200 – complex, required certification for implementation
- 2017 – revisors bill allowed multiple preceptorships to meet eligibility
- HB19-1088
  - Update preceptorship definition – 4 working weeks or 20 business days
- 3-year Sunset, Up for Reauthorization in 2022

# Tax Credit Utilization & Impact

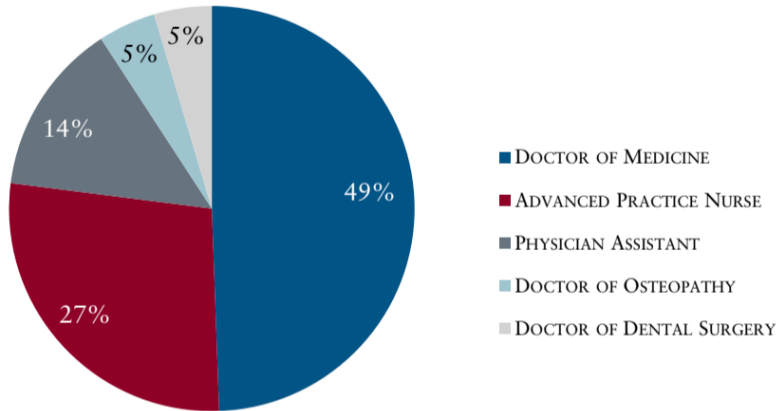
Tax Credit Utilization	2017	2018
# of Preceptors	76	89
Total Cost to State	\$76,000	\$87,781

\*CO Dept. of Revenue 2020 Annual Report

## 2019 State of Colorado Audit

- Found credit to be “meeting its purpose, to some extent”

EXHIBIT 1.2.  
PRECEPTORS APPROVED FOR THE PRECEPTOR CREDIT  
BY PROVIDER TYPE  
TAX YEAR 2017



SOURCE: Office of the State Auditor analysis of Department of Revenue taxpayer data.

## Preceptor Survey Data (n=178)

- 540 students precepted
- 93% preceptors reported the credit made it more likely they would precept in the future
- Most reported spending ~1 hour/day teaching
- 38% (35/92) reported previously hiring someone who rotated with their practice

\*Colorado Rural Health Center Survey Data

# Income Tax Credit for Preceptors in Areas with Health Care Workforce Shortages

## Overview:

- Serve as a preceptor in a preceptorship program approved by MDH and work
  1. At least 3 rotations with each rotation consisting of 160 hours (will be reduced to 100 hours this year)
  2. In an area identified as having a health care workforce shortage
- \$1,000 tax credit for each eligible student rotation

# Income Tax Credit for Preceptors in Areas with Health Care Workforce Shortages

Effect:

- 2019 Tax year
  - MDH approved 34 applications and awarded \$149,000 in tax credits
    - \$68,000 of which was awarded to licensed physicians
    - \$81,000 was awarded to NPs
- Funding comes from state licensing board assessment and offset by a general fund





# GEORGIA ACADEMY OF FAMILY PHYSICIANS **SPECIALIZING IN ALL OF YOU**

## Georgia Preceptor Tax Incentive Program

In 2014, Georgia became the first state to offer a tax deduction to community based physicians who provided uncompensated training to our state's medical students.

In 2019, the tax deduction was replaced by a tax credit applicable to an individual's state income tax.

Community based preceptors (licensed medical, osteopathic, advanced practice nurse, or physician assistant) who are not compensated for teaching, to earn tax credits for providing community based clinical training for students from the state's public or private medical, osteopathic, advanced practice nursing, or physician assistant educational programs.

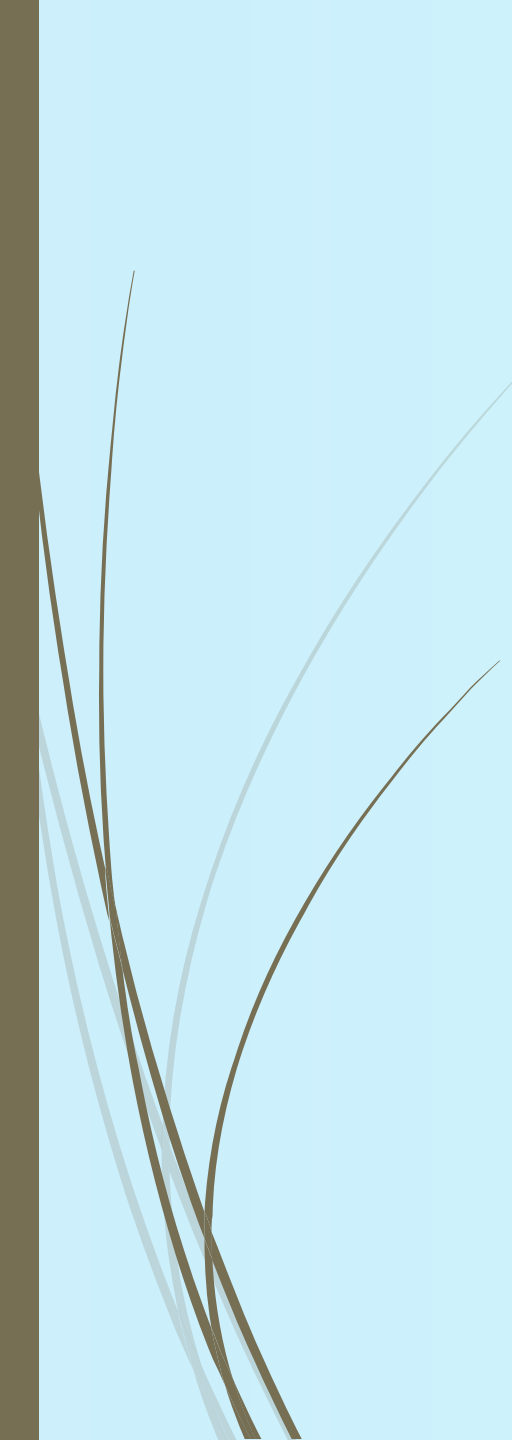
Annually, Physicians can earn a total of \$8,500 tax credits

## Secret Sauce for Legislative Approval?

- ▶ Coalition Included – All Medical Schools, Family Physicians, Pediatricians, OB Gyns, Internists, Residency Programs **AND PHYSICIAN ASSISTANT AND NURSING GROUPS**
- ▶ Not about Scope of Practice – it WAS about increasing clinicians in the State of Georgia.
- ▶ Also – Georgia has a high volume of medical students from international medical schools who are paying preceptors for rotations.

<https://www.augusta.edu/ahec/ptip/>

- ▶ 2019: In 2019, **2070** preceptors were registered, and **1170** qualified to receive tax deductions and received tax letters certifying eligibility.
- ▶ 2020: In 2020, **2951** preceptors were registered, and **1340** preceptors qualified and were issued a tax credit letter. To date, **3427** preceptors have registered.
- ▶ From the data reported by the programs, **798** preceptors were eligible to receive a credit but did not register with the program. There were **28** of **29** eligible academic programs who provided rotation and training hour reports for a total **1,198,905** hours reported for the year. A total of **\$2,396,625** in tax credits have been certified by the Statewide AHEC for 2020 state income tax filings as of this date.



Based on the preliminary data, **62%** of the credits were earned and awarded for MD/DO student support. APRN /Nurse practitioner students accounted for **26%** while PA students accounted for **12%**

Training webinars were held for programs and preceptors, reinforcing process and procedures for the new program. Technical assistance and training to individual programs has been provided by the PTIP Program Office at the Statewide AHEC for approximately **29** programs totaling approximately **312** training hours.



# Hawaii Preceptor Tax Credit

[preceptortaxcredit.Hawaii.edu](http://preceptortaxcredit.Hawaii.edu)

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Univ of HI Med School AHEC

Laura Reichhardt [LRNR@Hawaii.edu](mailto:LRNR@Hawaii.edu) Hawaii State Center for Nursing

# Passed in 2018 legislative session (first attempt)

Started in 2019 for APRN, pharmacy, MD/DO students & residents

- ▶ \$1,000/student, max \$5,000/yr (400 hours over 5 students)
- ▶ Up to \$1.5million tax credit available, but we used less than \$400K/yr both years (all from state funds)
- ▶ Only need to teach for 80 hours to get 1 credit
- ▶ The money goes to the individual, not the employer
- ▶ If a preceptor is compensated (money or blocked appointments) they don't qualify
- ▶ Primary care vs. train future primary care
- ▶ In state/Out of state
- ▶ Inpatient/Outpatient

# Results

2019

## Tax Credits by Professional License Type

License Type	Eligible Rotations	Total Credit:	% of Total
APRN	61	\$61,000.00	16%
DOS	13	\$13,000.00	4%
MD	277	\$277,000.00	75%
PH	20	\$20,000.00	5%

\$371,000

## Tax Credits by Number of Rotations

Number of Credited Rotations per Preceptor	Eligible Rotations	Total Credit:	% of Total
1	80	\$80,000.00	22%
2	104	\$104,000.00	28%
3	66	\$66,000.00	18%
4	56	\$56,000.00	15%
5	65	\$65,000.00	18%

2020

## Tax Credits by Professional License Type

License Type	Eligible Rotations	Total Credit:	% of Total
APRN	61	\$61,000.00	17%
DOS	15	\$15,000.00	4%
MD	261	\$261,000.00	71%
Ph	31	\$31,000.00	8%

\$368,000

## Tax Credits by Number of Rotations

Number of Credited Rotations per Preceptor	Eligible Rotations	Total Credit:	% of Total
1	93	\$93,000.00	25%
2	94	\$94,000.00	26%
3	48	\$48,000.00	13%
4	48	\$48,000.00	13%
5	85	\$85,000.00	23%

# Lessons learned

- ▶ Everyone wants in on it (all types of healthcare prov)
- ▶ Be very clear and very public about the requirements  
<http://preceptortaxcredit.hawaii.edu/>
- ▶ Getting departments to enter data is cumbersome, but they need to do this or there are some mad folks out there. (IT Savvy/Salesforce is our provider)
- ▶ What is “compensation”? What is Primary Care?
- ▶ Do regular updates and check ins, or you won't get to celebrate New Year's Eve (money goes to DOH so tax statement comes from DOH-(same as cesspool tax credit))



# Forming the Team and Drafting the Bill

- ▶ Launching the idea:
  - ▶ Hearing successful attempts from **national partners** (GA, MD, CO)
- ▶ Gaining buy-in:
  - ▶ Asking the questions: who **else is** struggling? Do you want to partner? (NPs...Pharm)
  - ▶ Leading with emphasis on **transparency and equity**. All decisions were made with consensus and discussion. All communications were open.
- ▶ Being Evidence Based: **establishing the data**:
  - ▶ **We had no preceptor shortage data.**
    - ▶ Developed our own statement of need.
      - ▶ Hawaii Position Statement\_Preceptor Shortage\_HSCN\_10242017\_1 page
  - ▶ We had no preceptor demand data.
    - ▶ We developed our own demand assessment.
    - ▶ We projected it out both by class growth over past 2 school years and by department of labor projections.

# Drafting the Bill

- ▶ Use examples of what was passed in **other states**
- ▶ **Validate** criteria and definitions with deans
- ▶ Start talking early and encourage the **conversation** by all partners
- ▶ Work with **key legislator** for drafting\*\*
  - ▶ Senator connected us with the TOP **tax drafter** in the LRB
  - ▶ This reduced the holes in our draft before the session started
- ▶ Have a dollar ask. Be willing to **bargain**.
  - ▶ We limited # of rotations and came in with a defined dollar ask.
  - ▶ We told them from day one we will come down if that means we can pilot.

# Communications

- ▶ Crafting the general message:
  - ▶ **No one knows what a preceptor is**
  - ▶ No one understands that:
    - ▶ Precepted healthcare clinical experience is a required component of healthcare education, and
    - ▶ It is a qualifier for graduation, certification and licensure, and
    - ▶ A shortage of preceptors both inhibits class sizes (in HI) and therefore limits production of future healthcare providers
  - ▶ Focus on your areas of greatest need (rural, primary care, etc)
  - ▶ Align with state strategies (rural initiatives, state health improvement plans, etc)

# Distribute broadly and know you can't please everyone

- Nearly all associate degree programs have a preceptor shortage. Many allied health bachelors programs have preceptor shortage. **All wanted in.**
  - Our stance: let's prove this concept and then expand
- We lost **professions** in the bill that we originally asked for (Social Work)
- Educate **employers** that this isn't for them, it is for their employees
- Preceptors wanted credit for **out-of-state** students

# Other info

- Crafting the testimony message
  - **Economic contribution** of healthcare providers
  - **Description of preceptor**
  - **Dire consequences** for each program
  - **United voice**
- Responsive to requests
  - We offered to **draft** all edits and promised less than a 24h turnaround
  - We provided **data** before anyone got a chance to ask
  - We shared **communication** outcomes with all legislators ASAP

# HEALTHCARE PRECEPTOR WORKFORCE PROGRAM

Kathy Pabst, MBA, CAE  
Executive Director



“ TO ***INSPIRE*** THOSE STUDENTS TO CONSIDER CHOOSING A PRIMARY CARE SPECIALTY AND **LIVING AND PRACTICING** IN A RURAL MISSOURI COMMUNITY ”

*Ed Kraemer, MD, University of Missouri Kansas City*

### Legislation Considerations

- Legislation title
- Define primary care
- Identify providers (physicians, APRNs, physician assistants)
- Set amount of tax credit
- Funding source
- Administration



# EDUCATIONAL MATERIALS



## PRECEPTOR WORKFORCE PROGRAM – HB 689

The Missouri Academy of Family Physicians (MAFP) supports training for students that emphasizes high quality, continuous, compassionate, and coordinated care through robust family medicine preceptorship programs. Evidence shows that early and consistent mentorship of medical students by preceptors increases the likelihood of these students choosing family medicine as a career. The MAFP will continue to advocate for students, preceptors, and institutions so they can create and maintain successful preceptorships.

### The Role of Preceptors in Clinical Training

The purpose of preceptors is to provide a one-on-one relationship with a student to help the student develop the needed clinical skills and practical experience working with patients to better understand the diversity within the patient population and treatment settings. Preceptors are usually not members of a school or residency program's faculty but are often practicing clinicians at clinical sites or in some cases, private offices, which are often the most valuable type of preceptorship.

These arrangements provide students with necessary experience and challenge preceptors to keep up to date with current medical trends. However, many preceptors are concerned about increased time commitments from teaching that takes them away from their patients, leading to lower productivity in their role as physicians.

### The Shortage of Primary Care Physician Preceptors

The current compensation model for primary care physicians does not include reimbursement for precepting and teaching students, even though clinical training relies heavily on the concept. Thus, the supply of preceptors has been shrinking as some are dropping out of the roles and schools are unable to offer enough incentive for preceptors to stay. A 2016 Health Resources and Services Administration (HRSA) study on preceptors in North Carolina found that while most schools reported satisfaction with their current preceptors, two-thirds reported preceptors dropping out that year.<sup>1</sup> Preceptors deserve both professional and financial recognition for their precepting duties as they are fulfilling an important role.

The Council of Academic Family Medicine's Educational Research Alliance also conducted a 2016 survey of U.S. and Canadian family medicine clerkship directors, which indicated difficulty among clerkship directors in sustaining their preceptorship programs. Among the 141 respondents, approximately 31 percent found it "somewhat difficult", 35 percent found it "difficult", and 27 percent found it "very difficult" to find family medicine sites for their students.

<sup>1</sup> Newton WP. (2016). "Community precepting: Demand, supply and the impact of the emerging precepting crisis." U.S. Health Resources and Services Administration. Web.



## Preceptor Workforce Program

### Funding

Collected through increased license fee at Missouri Board of Registration for the Healing Arts.

**95% funding from Physicians (29,419\* physicians)**  
**5% funding from Physician Assistants (1,580\* PAs)**

\*As of 2/21; Does not include contiguous, limited, conditional or temporary licenses.



### Self-Funded Program

-\$5,000 from Physician Assistants  
-\$195,000 from Physicians  
**\$200,000 available for disbursement**

### Preceptor Benefit

A preceptor who is not compensated for precepting may claim a \$1,000 tax credit for each preceptorship. General revenue is then reimbursed from the Medical Preceptor Fund.

**General Revenue Impact = Zero**

**\$1,000 for 120 hours of precepting**  
**Maximum of \$3,000 tax credit per year**



### Outcome

More preceptors for medical students and access to rural and underserved areas







# CHAMPIONS

- Legislators
- Health Care Disciplines
- Stakeholders
- Students



# STFM Resources

Information for Preceptors on Incentives for Precepting:

<https://www.teachingphysician.org/become-a-preceptor/incentives-for-precepting-2019>

STFM Preceptor Expansion Initiative:

[stfm.org/PreceptorExpansion](https://stfm.org/PreceptorExpansion)

Precepting Resources for AAFP Chapters:

[stfm.org/PreceptingResourcesForChapters](https://stfm.org/PreceptingResourcesForChapters)