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A Geographically Targeted Approach for a Preceptor Tax Incentive Using Primary Care Health Professional Shortage Areas (HPSAs)

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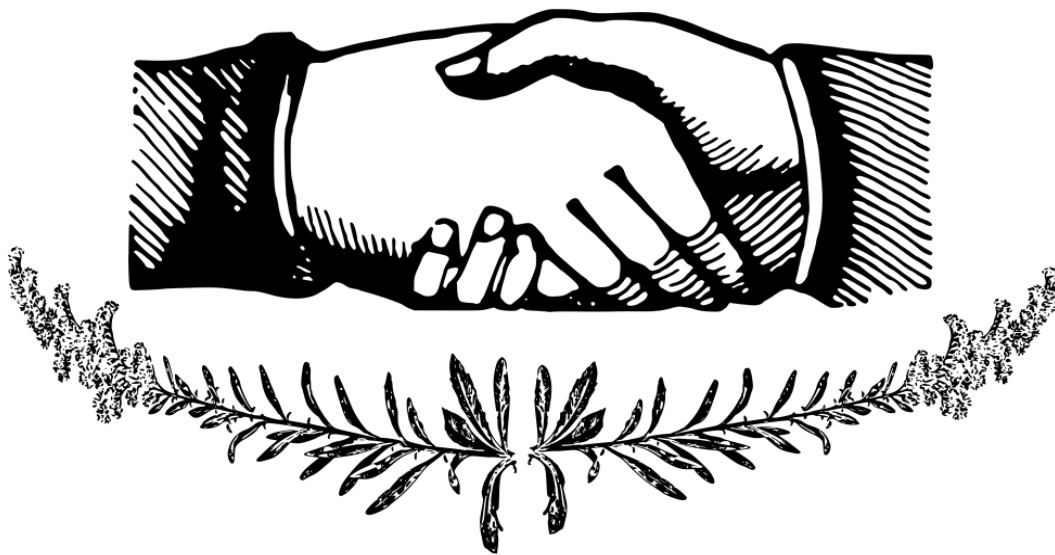
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Cover Page Footnote

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A Targeted Policy to Recruit Preceptors, Train Medical Students, and Retain Health Professionals

January 15th, 2022



A Geographically Targeted Approach for a Preceptor
Tax Incentive Using Primary Care Health Professional
Shortage Areas (HPSAs).



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Center for Health Disparities

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ISSUE SUMMARY

Years before the COVID-19 pandemic brought on a health care shortage in Kentucky, its rural areas were already struggling to obtain and attract primary care medical practitioners. Even though the number of medical school graduates in the state has steadily increased throughout the years, there is a general disinterest in rural or small-town practice, and experts project that this shortage will only be exacerbated in the future by the state's recent population shift from rural to urban areas. As of December 2021, there were 192 Health Resources and Services Administration-designated Primary Care Health Professional Shortage Areas (HPSAs) in Kentucky.

Primary Care HPSAs are geographic areas, population groups, or health care facilities that have been designated by HRSA as having a shortage of primary care health professionals. This number suggests that approximately 43% of Kentucky's residents do not have adequate access to primary care, and many of their health care needs fail to be met. To make matters worse, out of these 192 Primary Care HPSAs in the state, 175 are in areas [considered to be rural or partially rural](#). Because those Kentuckians that live in rural areas are already [more likely to die](#) from heart disease, cancer, chronic lower respiratory disease, and stroke than their urban counterparts, lack of access to this preventative primary care only perpetuates the health crisis in rural communities.

Physicians, advanced practice registered nurses (APRNs) and physician assistants (PAs) are considered to be the core disciplines in primary care. Each of these disciplines require significant clinical training during the student's education, which must be provided by community-based preceptors who are not employed by the student's educational institutions. A preceptor is an experienced medical practitioner who provides supervision during clinical practice. In Kentucky, the vast majority of primary care preceptors supervise students voluntarily and are not currently compensated for doing so. These preceptors often train students voluntarily out of commitment to the betterment of the healthcare sector.



According to 2018 data from Kentucky's Area Health Education Centers (a collaborative effort among the University of Kentucky, the University of Louisville, and the regional centers associated with each university), there were approximately 1,197 [qualifying preceptors](#) in the state, however, only 235 supervised three or more student rotations. Because preceptorship is voluntary and unpaid, there is a shortage of primary care preceptors in Kentucky, specifically in its rural communities where their few medical practitioners have such a high workload that precepting students can be a burden. This only exacerbates the rural health crisis and the primary care shortage in these areas, as many medical students do not get exposed to the unique work environment of rural practice and thus do not chose to practice there upon graduating.

CPC POLICY SOLUTION

A proposal to create a nonrefundable income tax credit to be claimed by any non-compensated, Kentucky-licensed primary care Physician, Advanced Practice Registered Nurse, or Physician Assistant that practices in one of Kentucky's HRSA-designated Primary Care Health Professional Shortage Areas (HPSAs) and precepts a minimum of 3 clinical rotations that year.

Policy Goals

- To enhance state investment in educational programs seeking to provide the next generations of primary care providers
- To surge sustainable business growth
- To increase the number of primary care preceptors in the state.
- To ultimately combat health inequity in the state's rural and underserved areas.

Policy Components

To address the rural primary care shortage and the lack of primary care preceptors in the state, the Kentucky State Legislature, in conjunction with the state's Area Health Education Centers, needs to implement a Preceptor Tax Incentive Program specific to the state's HRSA-designated primary care shortage areas. This policy creates a nonrefundable income tax credit to be claimed by any non-compensated, community-based, Kentucky-



licensed primary care preceptor practicing in one of Kentucky's HRSA-designated Primary Care Health Professional Shortage Areas (HPSAs) and supervising 3rd and 4th year medical/osteopathic students, physician assistant students, and advanced practice registered nurse students. These community-based faculty must provide a minimum of three rotations to be eligible for the tax credit (credits are awarded retroactively to include these), and the student's educational institution must certify these rotations as complete through reporting to the Kentucky Statewide Area Health Education Centers (AHEC) Program Office. The maximum amount of rotations eligible for tax credit is 10 (a rotation is defined as 160 hours of community-based teaching).

To encourage preceptors to participate at the highest level, this policy includes the following incentive structure:

- For medical/osteopathic preceptors, the first 3 rotations will be provided credits worth \$500 each; subsequent credits will be awarded credits at \$1000 each for rotations number 4-10. \$8,500 is the maximum amount of annual credit per physician.
- For advanced practice nursing and physician assistant preceptors, tax credits of \$375 will be provided for rotations 1-3; credits will increase to \$750 per rotation for rotations 4-10. \$5,625 is the maximum amount of annual credit that can be awarded per APRN or PA.

EFFICACY & DISCUSSION

The state of Georgia is a great case study to demonstrate the efficacy of such a program. In 2014, Georgia [became the first state](#) in the nation to offer a tax deduction to community-based physicians who provided uncompensated training to the state's medical students. In 2019, they amended their program by abolishing the tax deduction and changing it to become an income tax credit. This new program allows preceptors 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.



According to the Health Resources and Services Administration, when the strategy was implemented that year, the state of Georgia had 381 Primary Care Health Professional Shortage Areas. As of September 2021, nearly four years after the preceptor tax incentive program was established, Georgia [dropped down](#) to 243 HPSAs. In addition, starting in 2018, 1,262 preceptors in the state registered for the program; in 2019, 2,070 preceptors; and in 2020, 2,292 preceptors registered.

Based on the data, it seems that most preceptors care about the reward of a tax credit and are willing to register in the program to obtain it. This saves them money in the short-term and could potentially in the long run as well, therefore they are more likely to participate in the program because of it. Most preceptors in rural and underserved areas also have a strong orientation towards the future, as many of them want to precept students so their communities can continue to have health care access after they are gone.

The increase in registration in Georgia proves that preceptors respond to the tax credits positively and suggests that because the state recruited more preceptors and trained more students, these students chose to practice in these shortage areas upon graduating. The same concept could apply in Kentucky with the implementation of a primary care preceptor tax credit specific to the state's primary care HPSAs.

Since research shows that where medical students do their clinical rotations [influences where they ultimately decide to practice](#), it is vital that there are plenty of primary care preceptors in rural and underserved areas to expose students to this kind of unique work environment. Increasing the number of primary care preceptors in rural communities would curb primary care shortages in the long-term and lead more medical students to practice in these areas once they graduate.

As it stands, many rural Kentuckians are faced with the tough decision to commute to the next nearest metropolitan area for an appointment with a primary care provider or to not seek primary care at all. In many cases, rural residents chose the latter, which only perpetuates the health inequities aforementioned. And though telehealth has become more prominent in recent years, the rural broadband gap inhibits many rural residents



from fully utilizing telehealth services. Thus, rural Kentuckians need more expansive access to community-based, in-person primary care services and this issue needs to be addressed with a primary care preceptor tax incentive program.

This policy differs from previously sponsored state legislation, such as HB 205 sponsored by Rep. Moser in 2020, in a number of ways. The first being that although one of the primary goals of previously sponsored legislation was to target providers in rural and urban underserved areas to become preceptors and train more students, the proposal failed to specifically target these areas. This is why we have tailored our proposal to only allow those providers who practice in one of the state's primary care HPSAs to be eligible for the tax credit. By doing this, our proposal incentivizes physicians to practice in areas where primary care providers are most needed.

This proposal also allocates a tax incentive structure based on income for physicians, advanced practice nurses, and physician assistant preceptors, which previous legislation did not account for. To further incentivize medical/osteopathic physicians in rural and underserved areas to precept more students, after supervising three students for \$500 per clinical rotation, the tax credit for any additional students in the year increases to \$1,000. In previous legislation, the maximum allowable reward for medical/osteopathic physicians each year was \$3,000; in this proposal, the maximum allowable amount is \$8,500. To incentivize advanced practice nurses and physician assistant preceptors in primary care HPSAs to train more students, after supervising three students for \$375 per clinical rotation, the tax credit for any additional students in the year increases to \$750. In previous legislation, the maximum potential reward for APRNs and PAs was \$3,000; in this proposal, it increases to \$6,375. This is not to suggest that each preceptor would choose to precept more than three clinical rotations, but the incentive is there to encourage them to train more medical students and encourage them to work in rural and underserved areas.

As a state, Kentucky is also in an ideal position to implement preceptor tax credits this year. With revenues [coming in at \\$1.1 billion](#) — the greatest surplus in state history -- over the estimate for 2021, Kentucky has the unique opportunity to invest in programs that improve the state in a way they haven't before. Incentivizing preceptors to train more



students increases the amount of health professionals in the state's rural and underserved areas in the long-term and would alleviate the rural health crisis in Kentucky.



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