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FISCAL IMPACT REPORT

ORIGINAL DATE 2/04/19

SPONSOR Ortiz y Pino LAST UPDATED _____ HB _____

SHORT TITLE Health Care Preceptor Income Tax Credit SB 296

ANALYST Chilton

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21		
	(\$3,000.0)	(\$3,000.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Indeterminate, but small	Indeterminate, but small	Indeterminate, but small	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
 Human Services Department (HSD)
 Higher Education Department (HED)
 University of New Mexico Health Sciences Center (UNM HSC)
 Santa Fe Community College (SFCC)
 New Mexico Independent Community Colleges (NMICC)

Responses Not Received From

Department of Health (DOH)
 Burrell College of Osteopathic Medicine (BCO)

SUMMARY

Synopsis of Bill:

Senate Bill 296 would establish a tax credit for New Mexico health care practitioners who serve

as preceptors for students in specified health care professional fields. The students for whom the practitioners would be serving as preceptors would need to be enrolled in a program at one of the state educational institutions, which include UNM, NMSU, NM Tech, ENMU, WNMU, and NNMC.

Doctors of allopathic or osteopathic medicine (M.D.s and D.O.s), advanced practice nurses, physician assistants, dentists, pharmacists, psychologists or psychiatrists could apply for and be granted by the Taxation and Revenue Department a \$1000 tax credit for each four week or longer preceptorship he/she offers to one of these students, up to a total of five preceptorships. The credit would be applied to the current year's taxes, beginning in the tax year starting January 1, 2019, and could be carried over into subsequent tax years if necessary.

FISCAL IMPLICATIONS

No appropriation is made, but there would be substantial decreases in tax revenue under the bill. UNM HSC states that it alone currently “has approximately 1300 preceptors statewide that would benefit from this tax credit. These preceptors are broken down between the following schools and colleges: School of Medicine, 764; College of Pharmacy, 258 (with a potential to grow to 315 given tax credits); College of Nursing: 540. Altogether, the current number of preceptors is 1337. Preceptors take on average two students a year. That means that for UNM preceptors, the total amount given in tax credits would be approximately \$2.6 million, with likely growth in the following year as more preceptors are recruited.”

The number of preceptorships used by training programs at other state institutions is not available but is estimated to be considerably smaller than needed by UNM programs, perhaps another 400 total per year, or requiring an additional \$400,000 in tax credits.

TRD indicates that “The number of tax credits TRD oversees, each with different requirements, standards etc., is voluminous. Most of them require two or more forms created by the department. Many need regulations that must be promulgated by the department because the statute is complicated and ambiguous. The department needs more employees, and resources to implement, review, enforce and track all of these tax credits.” TRD did not give an estimate of the additional personnel cost that would be involved in managing this particular tax credit.

SIGNIFICANT ISSUES

Preceptorships with practicing physicians, advanced practice nurses, dentists, physician assistants and mental health practitioners are all considered vital in giving real-life experience to students in all of these fields that cannot be duplicated in an academic environment. For example, each summer, all University of New Mexico medical student spend six weeks with a preceptor in some part of New Mexico, usually away from Albuquerque, with whom the student interviews patients, performs physical examinations, and discusses diagnosis and management with the preceptor. Students routinely describe this program as one of the most productive parts of their medical school careers. Particularly valued by students are exposure to rural health care and to the business side of practice, neither of which are easily taught in the academic center. It is likely that students in other health care professional programs feel the same way about their preceptorships.

Almost all preceptorships in health care have capitalized on the magnanimity of the preceptors,

who, at least in medicine, are responding to the Hippocratic Oath injunction “...and to teach them this art, if they want to learn it, without fee or indenture; to impart precept, oral instruction, and all other instruction to my own sons, the sons of my teacher, and to indentured pupils who have taken the physician’s oath...” However, being a preceptor exacts a cost in time given to the preceptee that can’t be spent on patient care or other revenue-generating activities.

UNM HSC comments further about preceptors and preceptorships as follows:

The University of New Mexico School of Medicine, and Colleges of Nursing and Pharmacy have long used community providers as preceptors to provide clinical learning experiences to our students. Preceptors are at the core of the clinical education of physicians, nurses and other health professionals, physician assistants, and advanced practice registered nurses (APRNs). Unfortunately, primary care providers, especially those in underserved rural areas, typically have a heavy workload, which discourages them from taking on the additional burden of precepting.

UNM has never paid its preceptors. In recent years, private institutions have instituted the practice of paying for preceptors. UNM and other public institutions do not have the ability to pay for community preceptors and thus have encountered difficulties in securing clinical training sites and preceptors particularly in rural parts of the state. These rural rotations are critical because they expose students to parts of New Mexico that sorely need health care providers. The 2018 Workforce Report identified a tax credit of up to \$1000 as key to addressing workforce shortages in the state.

According to the Robert Wood Johnson Foundation (2018), there are now four states, Georgia, Hawaii, Maryland, and Colorado that offer a tax incentive for preceptors and four additional states, Kentucky, Minnesota, New York, and South Carolina also have or are considering pending tax benefit legislation.

In 2018, the American Academy of Physician Assistants suggested that the competition for preceptors and clinical education sites will continue as the number of training programs for physicians, Physician Assistances, and Nurse Practitioners increases, proprietary programs offer preceptors compensation, and the ever-changing healthcare environment creates additional barriers. We have seen this dynamic play out in New Mexico.

HSD notes that “any increase in health care providers available to treat Medicaid beneficiaries would result in better performance of the Medicaid program.”

Both the New Mexico Independent Community Colleges and Santa Fe Community Colleges comment on the need for preceptors in their programs as well – in nursing, nurse assistance, community health work, etc. Preceptorships for these programs are not included in the current bill.

TECHNICAL ISSUES

The bill implies but does not state that the tax credit under this bill would not be refundable (i.e., if the credit exceeded the amount of tax the practitioner owed, then she/he would get a check from the state for the difference).

Preceptors are widely used for health professional students and also post-graduate residents and fellows in many health care related fields. The definition of “preceptorship” in Section 1 G (4) of this bill is “preceptorship’ means an uncompensated period of supervised clinical training during which a preceptor provides a program of personalized instruction, training and supervision to an eligible graduate student to enable the student to obtain an eligible professional degree.” As many of those assigned to preceptors as residents or fellows have already received their final “eligible professional degree,” they would seem to be excluded from participation in this program.

As noted by UNM HSC, “not all preceptorships are measured in weeks. In nursing, for example, preceptorships are measured in hours. An amendment to reflect this might prove helpful.”

OTHER SUBSTANTIVE ISSUES

TRD notes that “This legislation implicates the tax policy principle of horizontal-equity. The medical professions enumerated in the legislation are amongst the highest earning occupations in New Mexico. While the “preceptorship” may be uncompensated, it may also be a collateral duty within the scope and responsibility of the individuals paid position. An individual who maximizes the credit mitigates income taxes on New Mexico taxable income upwards of \$110,000. Individuals with this level of earnings are amongst the top 10% of income earners in New Mexico.”

ALTERNATIVES

UNM HSC notes the possibility of “A direct appropriation to provide a stipend of \$1000 per perception term, up to five times per year.”

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