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FISCAL IMPACT REPORT

SPONSOR Ortiz y Pino **ORIGINAL DATE** 2/05/2020
LAST UPDATED 2/18/2020 **HB** _____

SHORT TITLE Health Care Preceptor Income Tax Credit **SB** 138

ANALYST Chilton

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22		
	(\$2,600-\$3,000.0)	(\$2,600-\$3,000.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		\$15.5		\$15.5	Nonrecurring	General Fund
	\$29.3	\$58.5	\$58.5	\$146.3	Recurring	General Fund
Total	\$29.3	\$74.0	\$58.5	\$161.8	Mixed, largely Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB296 from 2019.

SOURCES OF INFORMATION

LFC Files

Responses Received From

University of New Mexico Health Sciences Center (UNM-HSC)
 Santa Fe Community College (SFCC)
 Human Services Department (HSD)
 Department of Health (DOH)
 Taxation and Revenue Department (TRD)

Responses Received From the Following Regarding Duplicate SB296, 2019

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

Responses Not Received From

Burrell College of Osteopathic Medicine (BCO)

SUMMARY

Synopsis of Bill

Senate Bill 138 would establish a tax credit for New Mexico healthcare practitioners who serve as preceptors (teachers or tutors) for students in specified healthcare 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. The Burrell College of Osteopathic Medicine also uses community preceptors but is able to pay them for their services.

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 \$1,000 tax credit for each four week or longer preceptorship offered 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

The bill does not contain an appropriation, but there would be substantial decreases in tax revenue under the bill. In 2019, UNM-HSC stated it alone "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." This is also the figure that TRD calculated, though it appears they have not taken into account other institutions using preceptors for their students.

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 thousand in tax credits.

TRD indicates, "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 estimates that at least one FTE employee 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 healthcare professional programs feel the same way about their preceptorships.

Almost all preceptorships in healthcare 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 further commented in 2019 about preceptors and preceptorships:

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 \$1,000 as key to addressing workforce shortages in the state.

The following states have adopted a version of a Health Care Preceptor Income Tax Credit similar to what SB138 is proposing.

Hawaii:

- \$1,000 tax credit up to 5x per year

Colorado:

- In Colorado's case preceptors must work in a "rural or frontier" areas to qualify to for the tax credits worth \$1,000.

Maryland:

- \$,1000 tax credit for each student up to a maximum of \$10 thousand

Georgia:

- \$500 credit for each rotation for the first three, and \$1,000 each rotation for 4-10 for a total of \$7,500 in a calendar year.

- \$375 credit for each rotation for the first three, and \$750 each rotation for 4-10 for a total of \$6,375 in a calendar year.

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 noted, “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 College commented on the need for preceptors in their programs as well – in nursing, nurse assistance, community health work, etc. Tax credits for preceptorships for these programs are not included in the current bill.

DOH sends references for studies documenting a national shortage of preceptors:

- Family Medicine, <https://www.aafp.org/news/education-professional-development/20140706preceptstudy.html>
- and <http://www.annfamned.org/content/15/5/484.full>
- Advanced Practice Nursing, <https://www.graduatenuisingedu.org/2018/06/a-shortage-of-aprns-means-a-shortage-of-preceptors-for-aprn-students/>
- Pediatrics, [https://www.jpeds.org/article/S0891-5245\(09\)00070-4/abstract](https://www.jpeds.org/article/S0891-5245(09)00070-4/abstract), and
- Health Resources and Services Administration <https://www.hrsa.gov/sites/default/files/hrsa/advisory-committees/community-based-linkages/reports/sixteenth-2018.pdf>

TECHNICAL ISSUES

The bill implies but does not state the tax credit under this bill would not be refundable (i.e., if the credit exceeded the amount of tax the practitioner owed, then the practitioner would get a check from the state for the difference). However, the tax credit could be carried over and applied to taxes in subsequent years.

Preceptors are widely used for health professional students and also postgraduate residents and fellows in many healthcare related fields. The definition of “preceptorship” in Section 1 G (4) of this bill is 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.”

HSD and DOH note the bill does not define “department” as used in the bill but believes that it refers to the Taxation and Revenue Department.

DOH also points out that “The following clause could be ambiguous: “The health care preceptor income tax credit shall not exceed one thousand dollars (\$1,000) for up to five preceptorships performed in the taxable year in which the credit is claimed” – it should state that “a preceptor can earn \$1,000 each for up to five preceptorships”, if that is in fact the intention. Otherwise, it might be interpreted as \$1,000 for all five preceptorships.”

OTHER SUBSTANTIVE ISSUES

TRD notes, “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 thousand. Individuals with this level of earnings are amongst the top 10 percent of income earners in New Mexico.”

POSSIBLE AMENDMENT

As noted by HSD and DOH, the term “department” could be defined in the bill.

ALTERNATIVE

DOH points out that “Additional approaches to incentivizing preceptors in New Mexico, such as CME credits for precepting <https://www.aapa.org/news-central/2019/07/aapa-hod-responds-to-preceptor-shortage-with-increased-cme/> also exist.”

LAC/sb/rl/al