



Evaluation of Hawai'i Preceptor Tax Credit Program

Five Year Program
Evaluation 2019-2023

PRECEPTOR CREDIT ASSURANCE COMMITTEE (PCAC)

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Prepared June 2024

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Executive Summary

The Preceptor Credit Assurance Committee (PCAC) successfully implemented the Hawai'i Preceptor Tax Credit Program and expanded the cadre of Hawai'i healthcare providers (APRN, MD, DO, PH) who serve as clinical teachers, or preceptors, by 75 over five years. There are currently 871 clinicians who self-registered and attested to meeting the Preceptor Tax Credit Program requirements (these providers are considered active preceptors). In addition, this program demonstrated that tax credits are a motivator for increased precepting activities by novice preceptors (clinicians who have never taught students prior to this program), as well as experienced preceptors (clinical healthcare educators).

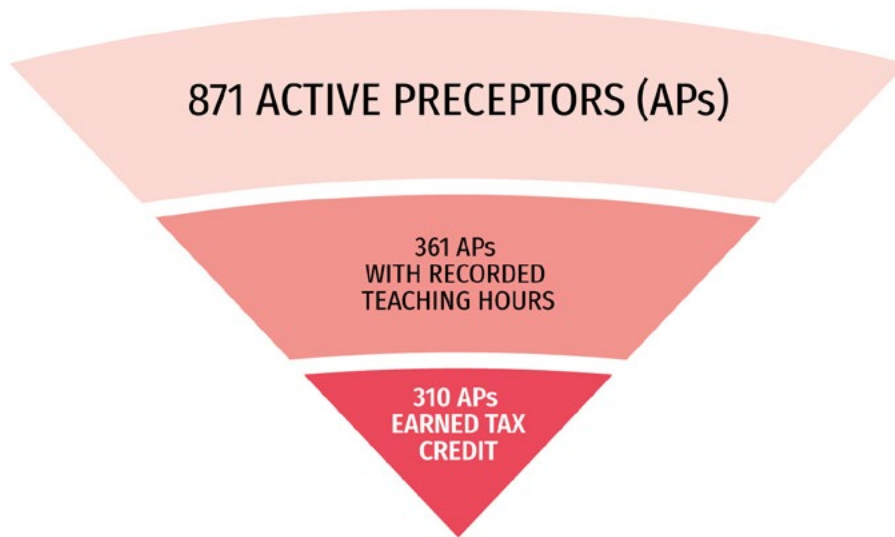


FIGURE I. TEACHING STATUS OF ACTIVE PRECEPTORS IN 2023

In total, 871 providers are registered for the tax credit. Of these, in 2023, 361 had recorded teaching hours, and 310 earned tax credits. Cumulatively over time, these 871 providers have received a total of 2,657 tax credits (\$2,657,000). Provider registration into the tax credit program increased by 132% from 2019 to 2023.

The program continues to gain new preceptors and engage existing preceptors in clinical teaching activities. Notable outcomes include that:

- ✦ Between 2019 and 2023, there was a 77% increase in registered providers who taught at least one rotation, regardless of total time spent teaching.
- ✦ From 2019 to 2023, the program gained 84 providers who had never engaged in precepting in the past and who completed some level of clinical rotation education in the calendar year. The Preceptor Tax Credit program is successful in growing the number of providers registering in the program, as well as completing clinical education for advanced practice registered nurses, physicians, and pharmacists.
- ✦ In 2023, 19 providers receiving tax credit were new to precepting when they registered for the Preceptor Tax Credit program. As a subset of the 84 new preceptors, cumulatively over four years, 76 providers had no background in precepting in Hawai'i and taught enough to earn tax credits.

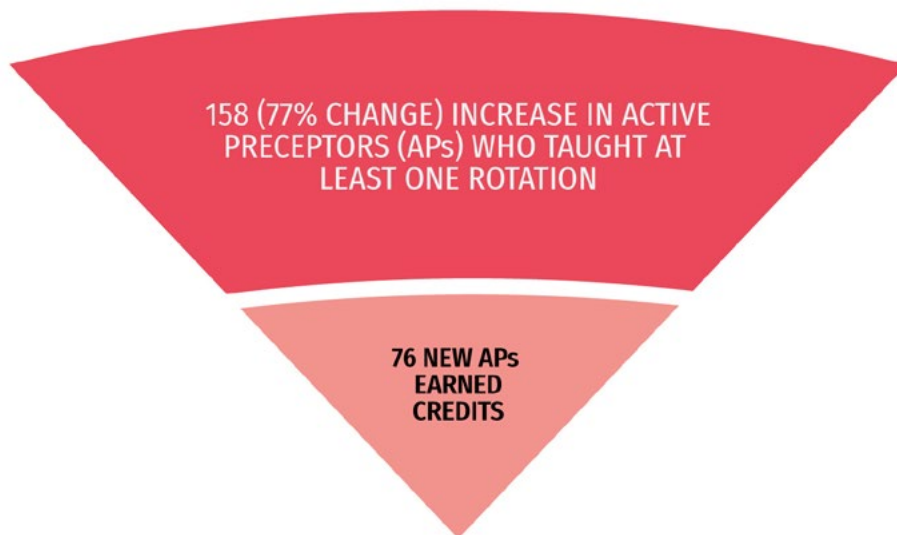


FIGURE II. INCREASE IN PRECEPTORS WHO RECEIVE TAX CREDITS

In the first five years of this program (2019-2023), successes of this program include:

- ✦ Increasing the number of providers who are serving as preceptors for local APRN, MD, DO, and PharmD education programs;
- ✦ Increasing the overall hours for which preceptors are teaching;
- ✦ Identifying providers who are teaching at levels below the tax credit-qualifying amount; these individuals receive targeted communication by PCAC -approved education programs to increase teaching hours and become eligible for the tax credit;
- ✦ Documenting the involvement of specialty providers in training future primary care providers; and
- ✦ Identifying other health professions that may benefit from this program.

The outcomes are remarkable not only for the successes, but also because this program has significant restrictions, as described in the Challenges section of the full report, which lead to 10% of potential tax credits not being utilized due to strict exclusionary criteria. Despite the successes, the program continues to under-distribute the available tax credits. In 2023, 676 credits (45%) were issued out of 1,500 available.

To improve the efficacy of this program, the barriers to provider eligibility should be removed, while the safeguards to ensure validity and quality should be preserved. The PCAC recommendations are as follows:

MAINTAIN	ADD	CHANGE
<ul style="list-style-type: none"> • Keep the process that local schools submit clinical rotation information; • Keep the requirement that preceptors must self-verify their location, license information, specialty, and lack of existing compensation for precepting; and • Keep, and clarify, the requirement that the tax credit is for non-compensated precepting activities only. 	<ul style="list-style-type: none"> • Add additional healthcare provider professions with schools in Hawai‘i, including physical therapy, occupational therapy, social work, registered dietitians, and physician assistants. 	<ul style="list-style-type: none"> • Remove primary care specialty requirement for preceptors; and • Remove requirement that only preceptor education for primary care students may be eligible for tax credits.

TABLE I: RECOMMENDATION SUMMARY FROM THE PRECEPTOR NEEDS ASSESSMENT

This program proves to be instrumental in safeguarding the clinical education aspect of healthcare education, particularly after the COVID-19 pandemic that had devastating impacts to healthcare education, as it did on healthcare across the state, the nation, and the world.



Terms/Definitions

TERM	DEFINITION
PROVIDER	A licensed healthcare provider. For the purpose of this report, only Advanced Practice Registered Nurses (APRN), Medical Doctors (MDs), Doctors of Osteopathy (DOs), and Registered Pharmacists (PHs) are eligible for the tax credits.
PRECEPTOR	A healthcare provider who provides oversight and offers teaching experience in a clinical healthcare setting to a healthcare student.
ACTIVE PRECEPTOR	A provider who engages in healthcare teaching AND who has registered and completed the self-attestation for the tax credit program. Preceptors must be active in order to be eligible for the tax credits.
INACTIVE PRECEPTOR	A provider who engages in healthcare teaching AND who has not registered and completed the self-attestation for the tax credit program.
PRIMARY CARE PROVIDER	A provider who works in family medicine, internal medicine, sports medicine, geriatrics, pediatrics, or obstetrics/women’s health. Primary care providers are eligible for tax credits.
SPECIALTY PROVIDER	A provider who works in specialties not listed above. For instance, emergency medicine, oncology, cardiology, and endocrinology are specialties. Specialty care providers are not eligible for tax credits.
CERTIFIED TAX CREDIT	<p>Per the state laws that define the tax credit, the PCAC only certifies the tax credit. Therefore, tax credits are referred to as “certified tax credits” to indicate that these are the amounts that relate to the sum of the credits entered on the tax forms N-358 (Addendum A1).</p> <p>HRS CHAPTER §235-110-25 HEALTHCARE PRECEPTOR TAX CREDIT. SECTION (D) and HRS Chapter §321-2.7 Preceptor Credit Assurance Committee, Section (a).</p>

TABLE II: TERMS

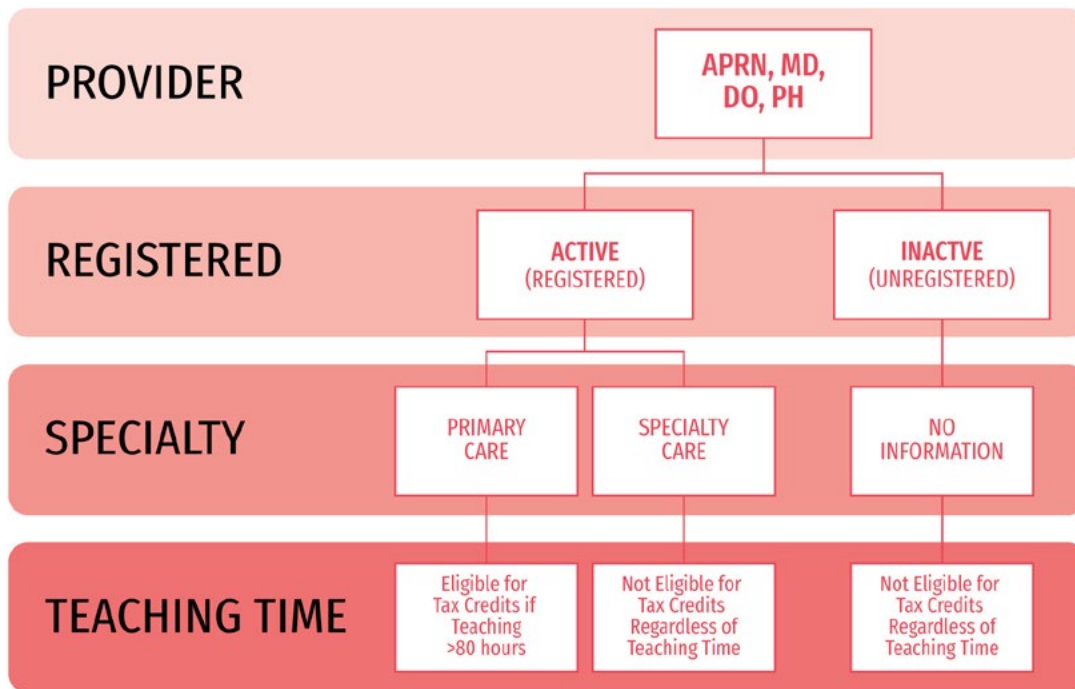


FIGURE III: ELIGIBILITY DECISION MAKING PROCESS FLOW



Background

Preceptor Need

Precepting is a critical component of healthcare education. Live, supervised, hands-on patient care experience is a requirement of training to be a healthcare provider. Healthcare professional education would cease without healthcare providers who welcome students into their clinical practice to engage in precepted experiences.

In 2017, the Hawai'i State Center for Nursing¹ surveyed the in-state graduate schools of nursing, school of medicine, school of osteopathy, college of pharmacy, and the school of dental hygiene to assess perceived barriers to securing preceptors using the same assessment tool used nationally. Key findings are as follows:

100%	Of programs are moderately or very concerned about the number of clinical training sites.
83%	Of programs report it is somewhat or much more difficult to secure new clinical sites than in 2015.
83%	Of programs state practice transformation and payment reform is a moderately to very important factor related to development of new training sites.
75%	Of programs state that training and orientation of preceptors is an important or very important factor related to development of new training sites.
54%	Of programs state the number of available training sites in the community limits enrollment.

TABLE 1: FINDINGS FROM THE PRECEPTOR NEEDS ASSESSMENT

¹ Hawai'i State Center for Nursing. (2017). Hawai'i Position Statement on Preceptor Shortages. Retrieved from: http://preceptortaxcredit.hawaii.edu/wp-content/uploads/2022/11/Hawaii-Position-Statement_Preceptor-Shortage_HSCN_10242017_1-page.pdf

Healthcare Preceptor Tax Credit Legislation

The Legislature recognized the dire need to address preceptor shortages as a mechanism to improve the healthcare workforce development environment in our state in 2018. To address this need, the Legislature passed Act 43, Session Laws of Hawai'i (SLH) 2018. Act 43 established preceptor tax credits for providers, defined as advanced practice registered nurses (APRNs), physicians (Medical Doctors, MDs, and Doctors of Osteopathy, DOs), and registered pharmacists (PHs) who provide clinical teaching opportunities, "precepting", for in-state APRN, MD, DO, and PH students.

Act 43, SLH 2018, authorizes up to 1,500 tax credits to be distributed annually, for a value of \$1,000 for each credit, to \$1,500,000 in total credits per year. The maximum number of tax credits is five credits (\$5,000) per individual annually. The 1,500 credits were based on the estimated volume of preceptor rotations based on a conservative 2% growth in educational output annually, between 2018-2023. This estimate included all rotations needed by the nursing, medicine, and pharmacy programs in the state, including specialty education and fellowships.

In order to participate in the PTC program, the preceptor must meet certain criteria to be eligible for tax credits, which are that the preceptor:

▼ MAY NOT BE EMPLOYED OR SPECIFICALLY COMPENSATED TO TEACH;
▼ MUST BE LICENSED IN HAWAI'I;
▼ MUST ENGAGE IN A PRIMARY CARE PRACTICE; AND
▼ MUST TEACH STUDENTS OF LOCAL EDUCATION OR TRAINING PROGRAMS.

TABLE 2: PRECEPTOR ELIGIBILITY CRITERIA

Credits are issued in 80-hour increments of training, and number of clinical training rotations. In addition, there may not be more rotations certified than the number of clinical rotations or students trained.

Act 43, Session Laws of Hawai'i 2018, Section 4

The Hawai'i Department of Health shall evaluate the efficacy of the healthcare preceptor tax credit established by this Act and submit a report to the legislature no later than June 30, 2024, which shall include the department's findings and a recommendation of whether the tax credit should be retained without modification, amended, or repealed.²

² Hawaii State Legislature. (2018). Act 43, Session Laws of Hawaii 2018, Section 4. Retrieved from: https://www.capitol.hawaii.gov/slh/Years/SLH2018/SLH2018_Act43.pdf

Preceptor Credit Assurance Committee Responsibility and Performance

The PCAC's overarching goal is to recruit and retain healthcare providers who engage in clinical teaching, or precepting. This goal has two main activities: 1) retaining existing preceptors through positive reinforcement, and 2) recruiting new preceptors through incentives like the state income tax credits.

MULTI-STEP PLAN TO ADDRESS HEALTHCARE PRECEPTOR SHORTAGE:

1. Establish, through the legislature, an income tax credit for preceptors based on the number of hours and the number of clinical rotations precepted.
2. Develop preceptor training opportunities to improve the competencies, support, and resources available to healthcare providers acting in a preceptor role.
3. Expand loan repayment options for healthcare providers who reside and work in Hawai'i.
4. Expand interprofessional and Neighbor Island clinical education opportunities.
5. Instill the value of education, through preceptor activities, in the current student and trainee population.

The main function of the Preceptor Credit Assurance Committee, is overseeing the tax credit program to achieve progress towards the goal.

The PCAC is responsible for maintaining the records, certifying the number of training rotations conducted by each taxpayer, and certifying the amount of tax credits for each taxpayer. Responsibilities of the Preceptor Credit Assurance Committee are defined in statute in both HRS Chapter 235, Income Tax Law, Part VI, Returns and Payments; Administration, and Title 19, Health, Chapter 321, Department of Health, Part I, General and Administrative Provisions Section.

(D) THE PRECEPTOR CREDIT ASSURANCE COMMITTEE, ESTABLISHED UNDER SECTION 321-2.7, SHALL:

1. Maintain records of the names, addresses, and license numbers of the taxpayers claiming the credit under this section;
2. Certify the number of volunteer-based supervised clinical training rotations each taxpayer conducted by:
 - a. Verifying that the taxpayer meets the requirements to serve as a preceptor;
 - b. Verifying the number of hours the taxpayer spent supervising an eligible student in each volunteer-based supervised clinical training rotation;
 - c. Verifying that the eligible student was enrolled in an academic program in Hawaii; and
 - d. Verifying that the taxpayer was uncompensated; and
3. Certify the amount of the tax credit for each taxpayer for each taxable year and the cumulative amount of the tax credit.

TABLE 3: HRS CHAPTER §235-110-25 HEALTHCARE PRECEPTOR TAX CREDIT. SECTION (D)1-31F³

1. Developing a process ensuring that requests for credit certification are reviewed and verifications are processed no later than thirty days following the close of each calendar year;
2. Developing the documentation process for the committee to certify a preceptor for the tax credit; provided that the documentation to be collected shall include:
 - a. The preceptor's name, address, place of practice, and Hawaii provider license number;
 - b. Dates and hours of volunteer-based supervised clinical training rotation per eligible student;
 - c. Attestation that the preceptor is uncompensated for the volunteer-based supervised clinical training rotation; and
 - d. Other information deemed necessary by the committee.

TABLE 4: HRS CHAPTER §321-2.7 PRECEPTOR CREDIT ASSURANCE COMMITTEE. SECTION (A)1-22F⁴

³ https://www.capitol.hawaii.gov/hrscurrent/Vol04_Ch0201-0257/HRS0235/HRS_0235-0110_0002_0005.htm

⁴ https://www.capitol.hawaii.gov/hrscurrent/Vol06_Ch0321-0344/HRS0321/HRS_0321-0002_0007.htm

Subcommittees and Responsibilities

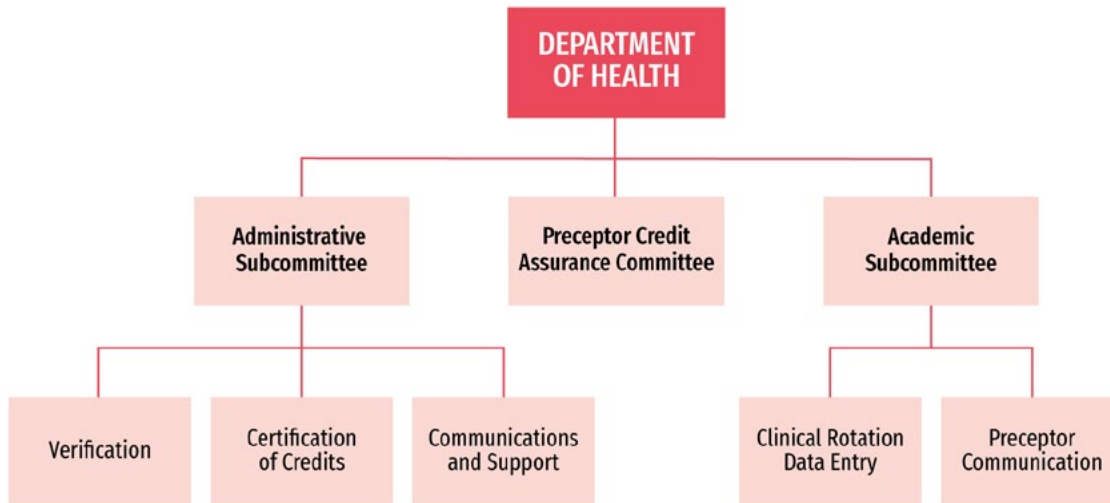


FIGURE 1: PRECEPTOR CREDIT ASSURANCE COMMITTEE AND SUBCOMMITTEES

The PCAC established subcommittees (Figure 1) to operationalize functions and ensure responsibilities are met. The responsibilities of the PCAC Academic Subcommittee and the PCAC Administrative Subcommittee are described below (see Addendum B for members of all committees). These groups developed the methods that are outlined below and in detail in Annual Report 2022 (Addendum E) for validating required information and preventing the likelihood of fraud. Additionally, the PCAC Administrative Subcommittee developed the current process of validating clinical rotations throughout the year and communicating to preceptors through a “pre-determination letter”. Both of these actions have improved the timeliness of the determination of tax credits, and therefore, the issuing of tax credits forms by the Department of Health.

The PCAC Academic Subcommittee is comprised of faculty and staff of each participating academic institution. To verify provider eligibility, the Preceptor Credit Assurance Committee created an attestation form that each preceptor must complete before any credit is received. The required attestation confirms practice specialty, professional license number, and location of clinical practice (Addendum E1). Academic Subcommittee members from each program enters clinical rotation information into the Hawai‘i Preceptor Tax Credit database. Each rotation record is entered by the sponsoring department and linked to the preceptor's name. The required data includes student name, student type (APRN, MD/DO, PharmD), hours completed, and dates of training. The Academic Subcommittee is offered yearly training, one-to-one training for new and current committee members on demand, and members have access to recordings of past trainings on the Hawai‘i Preceptor Tax Credit website⁵ to ensure accuracy of data entry, understanding of processes, and support from the PCAC.

⁵ Hawai‘i Preceptor Tax Credit. (2023). Resources for Academic Subcommittee. Retrieved from: <http://preceptortaxcredit.hawaii.edu/resources-2/>

The Academic Subcommittee additionally is responsible for communicating directly to preceptors throughout the calendar year to encourage registering for the tax credit and provide information necessary to engage in precepting with the respective academic program.

The PCAC Administrative Committee is tasked with three main responsibilities, as outlined below:

1. VALIDATE TAX CREDITS.

- a. Verify registered preceptors and maintain accuracy of registry;
- b. Communicate to Academic Subcommittee on data submission deadlines;
- c. Process database corrections, as communicated by Academic Subcommittee;
- d. Verify the individual rotations, preceptor hours, and eligible tax credits;
- e. Determine tax credit allocations; and
- f. Communicate to preceptors related to tax credit allocations.

2. CERTIFY THE AMOUNT OF TAX CREDITS FOR EACH TAXPAYER.

- a. Host official PCAC certification vote on eligible tax credits;
- b. Communicate to DoTax on eligible tax credit allocations with individual names and credit amounts; and
- c. Facilitate processing N-358 form for preceptor tax credits with the DOH.

3. MAINTAIN PUBLIC COMMUNICATIONS AND SUPPORT.

- a. Maintain active web page and database;
- b. Maintain communication to the PCAC, DoTax, and DOH;
- c. Report annually on outcomes related to the preceptor tax credit program; and
- d. Provide customer support to preceptors as needed by phone and email.

The validation of tax credits is an iterative process throughout the year in collaboration with the Academic Subcommittee. The Administrative Subcommittee sets a data-entering schedule, provides triannual data verification reports to the Academic Subcommittee, verifies newly registered preceptors using the Department of Commerce and Consumer Affairs professional licensing verification portal, removes duplicate preceptor registries, updates the registry should providers no longer act as preceptors (i.e., new out-of-state residence, retirement, death), and processes updates communicated by the Academic Subcommittee. This work improves the timeliness of tax credit certification at the close of the tax year and the continuous verification of required data components has improved data quality.

In December of each year, the Academic Subcommittee submits their final rotation data and the Administrative Subcommittee reviews each preceptor's rotations for timing, number of rotations, number of hours, and type of student. Preceptors' specialty and compensation status are also reviewed, with any disqualifying criteria noted for all preceptors ineligible

for tax credits. Communication is then prepared which details the number of clinical rotations, whether the preceptor has registered, if their total hours meet the minimum threshold, how many potential tax credits they may receive if certified, and if they have any disqualifiers (compensation, license type, specialty type). This communication, called the “pre-determination letter” is sent to all preceptors for whom the PCAC has contact information, including all active preceptors. This letter requests corrections, updates to information, or registration, as applicable. This process of communicating with preceptors improved the data quality by providing preceptors an opportunity to verify that the information is accurate prior to the certifying of tax credits.

At the start of the new calendar year, the verified tax credits are processed through a database that calculates the tax credit allocations confirmed by the earlier pre-determination process. The tax credits are then counted by county, license type, academic program, and total rotation hours as well as individual data. This report is provided to the Preceptor Credit Assurance Committee for final certification vote. Upon endorsement by the PCAC, a report of credits by preceptor name is provided to DoTAX and DOH, and the certificates are processed for DOH signature and distribution. In conjunction with the distribution of the tax credits, PCAC sends out a “determination letter” to the preceptors outlining the final allocation of credits and rationale for the allocation using the same format as the “pre-determination letter”.



Findings/Results to Date

Outcomes

TOTAL PTC ALLOCATIONS BY YEAR

YEAR	2019	2020	2021	2022	2023	CUMULATIVE
Preceptors	181	190	261	301	371	1,243
Tax Credits Awarded	371	378	587	645	676	2,657

TABLE 5: DISTRIBUTION OF CREDITS BY PRECEPTOR AND CREDIT AMOUNT BY YEAR

Annually, the Preceptor Tax Credits have increased, both by the number of preceptors receiving credits and the total number of tax credits allocated. In the course of five years, 2,657 tax credits (\$2,657,000) have been issued to 1,243 providers (Table 5).

DISTRIBUTION OF PRECEPTORS BY PROFESSION TYPE

Physicians (DOs and MDs) remain the largest population of tax credit recipients, with just under 71% of the total distribution of tax credits allocated to this professional group. Advanced Practice Registered Nurses (APRNs) are the second most represented professional group with 23% of tax credits allocated in 2023, the greatest rise in percentage of any professional group to date. Pharmacists (PH) represent the smallest proportion of tax credit earnings (Table 6).

LICENSE TYPE	TAX YEAR	ELIGIBLE ROTATIONS	TOTAL CREDIT	% OF TOTAL/YEAR
APRN	2019	61	\$61,000.00	16%
	2020	62	\$62,000.00	16%
	2021	75	\$75,000.00	13%
	2022	116	\$116,000.00	18%
	2023	155	\$155,000.00	23%

LICENSE TYPE	TAX YEAR	ELIGIBLE ROTATIONS	TOTAL CREDIT	% OF TOTAL/YEAR
DOS	2019	13	\$13,000.00	4%
	2020	15	\$15,000.00	4%
	2021	30	\$30,000.00	5%
	2022	43	\$43,000.00	7%
	2023	40	\$40,000.00	6%
MD	2019	277	\$277,000.00	75%
	2020	270	\$270,000.00	71%
	2021	462	\$462,000.00	79%
	2022	455	\$455,000.00	71%
	2023	440	\$440,000.00	65%
PH	2019	20	\$20,000.00	5%
	2020	31	\$31,000.00	8%
	2021	20	\$20,000.00	3%
	2022	31	\$31,000.00	5%
	2023	40	\$40,000.00	6%

TABLE 6: TAX CREDITS BY PROVIDER TYPE WITH COST AND PERCENT ALLOCATION BREAKDOWN

PRECEPTORS BY ACTIVE STATUS AND ROTATIONS

YEAR	2019	2020	2021	2022	2023
Active Preceptors, Total	375	503	626	736	871
Active Preceptors, With Rotations	204	262	290	351	362
Active Preceptors Awarded Credit	181	190	261	301	310
Active Preceptors, No Rotations	171	241	336	385	509
Inactive Preceptors, Total (with rotations)	101	85	111	134	141
Active and Inactive Preceptors, Total	476	588	737	870	1012

TABLE 7: PRECEPTORS BY ACTIVE STATUS AND ROTATIONS

The Preceptor Credit Assurance Committee collects clinical rotation information directly from the Academic Subcommittee, which represents the education providers. The Academic

Subcommittee has the opportunity to outreach to providers who may not yet have registered to encourage them to engage in the Tax Credit program.

Preceptors who have registered and attested that they teach in Hawai'i are identified as "active" preceptors (84%). Those who have not registered, but have rotation data entered by teaching programs are "inactive" preceptors (16%) (Table 7). Preceptors who are "inactive" may be unaware of the program, paid for teaching, or in specialties ineligible to receive preceptor tax credits.

Of the active preceptors, less than half of these preceptors engage in clinical teaching each year. Of those that engage in clinical teaching, 84% qualify for preceptor tax credits (Figure 2). There is continued and well-documented challenges to optimizing the tax credit allocations which will be discussed in the Challenges section of this evaluation.

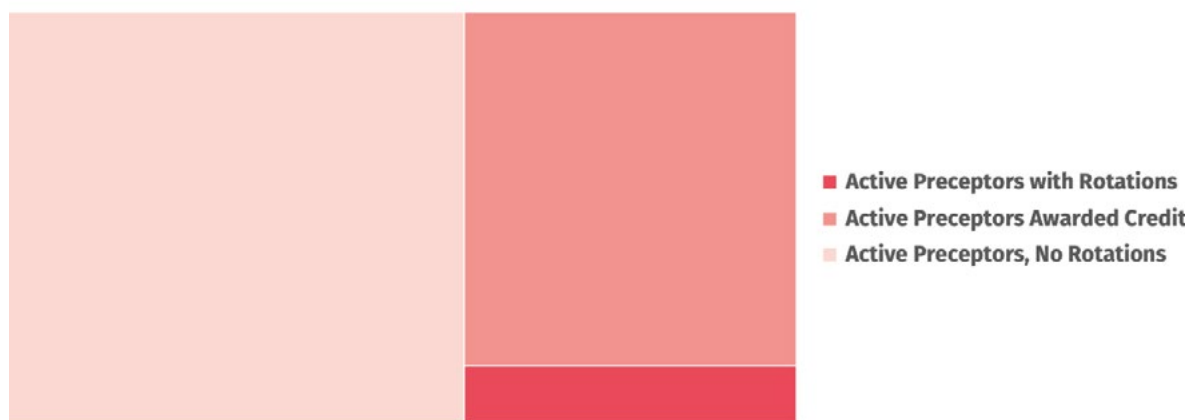


FIGURE 2: ACTIVE PRECEPTORS BY ROTATIONS AND CREDITS

As noted, the goal of the Preceptor Credit Assurance Committee is to grow the number of healthcare providers who engage in precepting (clinical teaching), and over time retaining existing preceptors and recruiting new preceptors. To evaluate progress towards this goal, the PCAC tracks active preceptors who provide clinical teaching, how many active preceptors are receiving tax credits, and how many registered preceptors report being new to precepting.

In addition to tracking change in active preceptors, the Academic Subcommittee records clinical teaching rotations for unregistered preceptors (Figure 2). The purpose is threefold. First, it is a matter of data management efficiency. Second, it enables the PCAC program to communicate to the provider to register so they can become eligible for the tax credit commensurate with their teaching contributions. Third, it enables the PCAC to understand the greater clinical teaching environment. To the third point, the Preceptor Tax Credit Program is growing the number of active preceptors at a faster rate than those who are inactive (not self-registered and attested). Though preceptors receive information about the Preceptor Tax Credit program by the Academic Subcommittee, some healthcare professionals continue to teach healthcare students without seeking the tax credit benefit. This shows that for some, tax credits are not a motivator for clinical teaching. However, the growth of

active preceptors with clinical teaching hours outpaces inactive preceptors with clinical teaching hours. Since 2019, the program has recorded an additional 158 registered providers who taught at least one rotation (77% change from baseline) (Figure 3). **Thus, the Preceptor Tax Credit program is successful in growing the number of preceptors interested in and completing clinical education for advanced practice registered nurse, physician, and pharmacy students.**

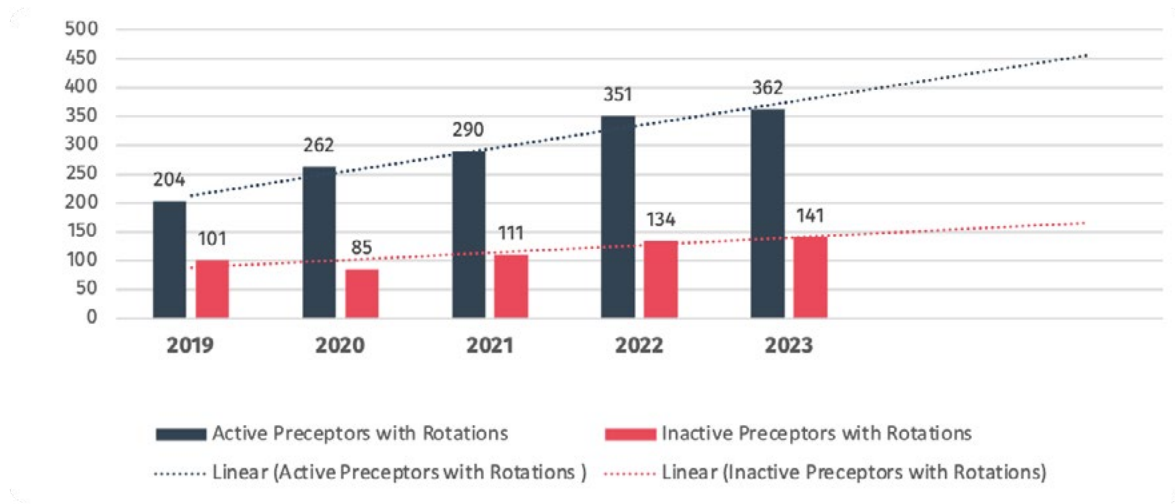


FIGURE 3: DOCUMENTED CLINICAL ROTATIONS BY ACTIVE (REGISTERED) VS INACTIVE PRECEPTORS

Consistent with the upward trend in the number of total active preceptors is the trend of the total number of active preceptors receiving tax credits. On average, 47% of active preceptors engage in teaching annually, and 40% of active preceptors receive tax credits (alternatively, 85% of active preceptors with rotations also receive tax credits). It is notable that despite considerable impacts to clinical healthcare learning during the first year of the COVID-19 pandemic (2020), there is persistent growth in preceptor engagement that yields tax credits (Figure 4). In addition, growth over time demonstrates that despite the pandemic’s impact, there is increased engagement in precepting at the level which qualifies a provider for tax credits.

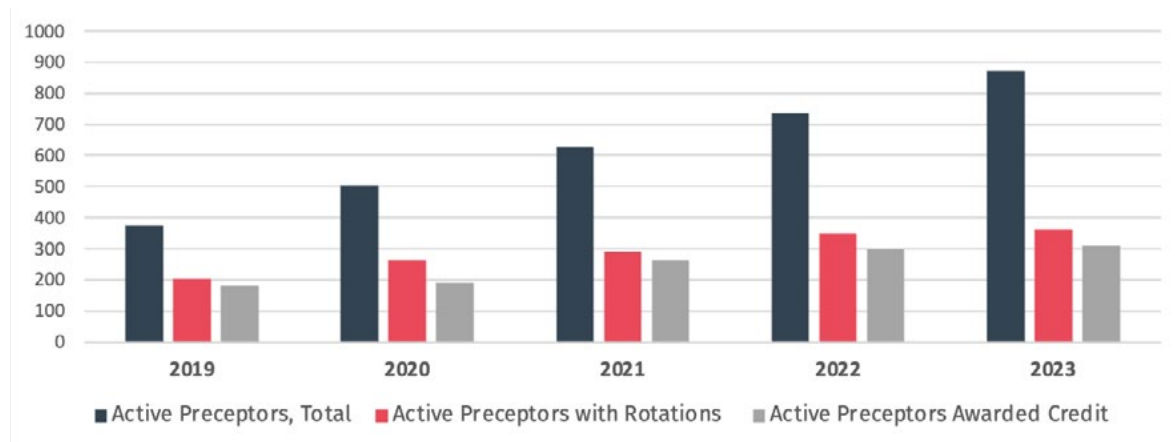


FIGURE 4: GROWTH IN PRECEPTORS, REGISTERED, WITH ROTATIONS AND RECEIVING TAX CREDITS

The total number of tax credits issued (Table 8) follows the same trend as active preceptors (Table 7). The greatest year of tax credit allocation growth was 2021, the year immediately following the COVID-19 pandemic response that largely impacted clinical education. Though no year compares to the increase in tax credits awarded in 2021, the years after the pandemic continued to experience modest growth. Despite the growth year-over-year, the tax credit program continues to certify fewer credits than the total available credits, with only 45% of the total credits being allocated in 2023 (Table 8).

YEAR	2019	2020	2021	2022	2023
Tax Credits Awarded	371	378	587	645	676
Year to Year Percent Change	0%	2%	55%	10%	5%
Baseline to Year Percent Change	0%	2%	58%	74%	82%
Total Available Credits	1500	1500	1500	1500	1500
Percent Allocated vs Total Available	25%	25%	39%	43%	45%

TABLE 8: TAX CREDITS ALLOCATED BY YEAR

PRECEPTOR GROWTH	2019	2020	2021	2022	2023
Preceptors	181	190	261	301	310
Year to Year Percent Change	0%	5%	37%	15%	3%
Baseline to Year Percent Change	0%	5%	44%	66%	71%

TABLE 9: PRECEPTORS RECEIVING CREDITS BY YEAR, PERCENT CHANGE

Remarkably, the growth in tax credit allocation from baseline to 2023 (82%) is more significant than the growth of active preceptors receiving tax credits (71%) (Tables 8, 9). This indicates that there is greater growth in the number of clinical rotations than the number of preceptors, or in other words, that preceptors are engaging in more than the minimum number of clinical training rotations.

The number of preceptors who received tax credits was compared with the number of tax credits awarded. The ratio of rotations to preceptors has a range from 1.99 to 2.25. The ratios have increased from 2.05 in 2019 to 2.18 in 2023 (Figure 5). Thus, individual preceptors have increased the number of credits over time. This is a positive outcome which shows small but considerable increased engagement in clinical training by individuals.

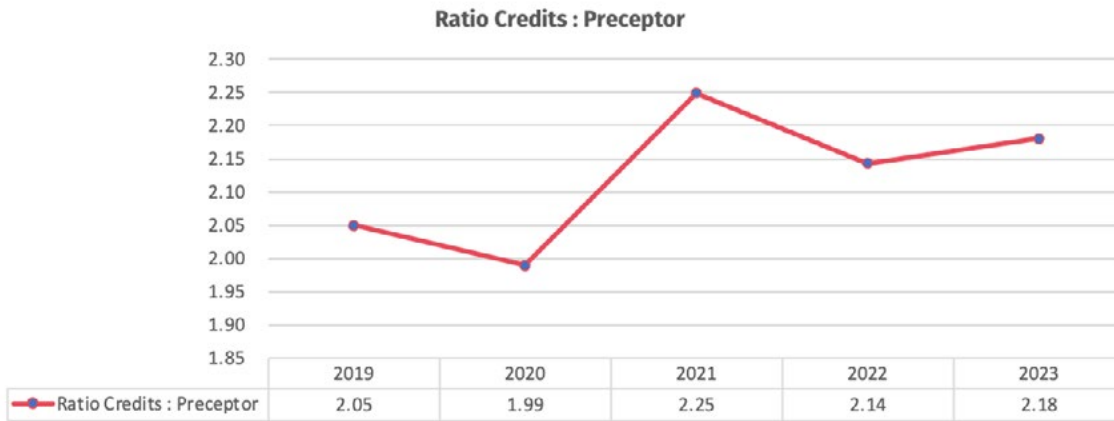


FIGURE 5: TAX CREDITS TO PRECEPTOR RATIO

Since the start of the Preceptor Tax Credit Program in Hawai‘i, both the number of all preceptor rotations entered in the database (maximum potential tax credits) and the number of preceptor rotations that resulted in tax credit allocation (total approved tax credits) has increased annually (Figure 6). On average, however, only 47% of the clinical rotation hours recorded in the Preceptor Tax Credit Database result in the allocation of tax credits. This supports the finding that only 40% of total preceptors recorded in the database receive tax credits, on average. Limitations in issuing tax credits that were previously described in the 2021 and 2022 annual reports (Addendums D and E) continue to be relevant and will be explored in the Challenges section of this evaluation.

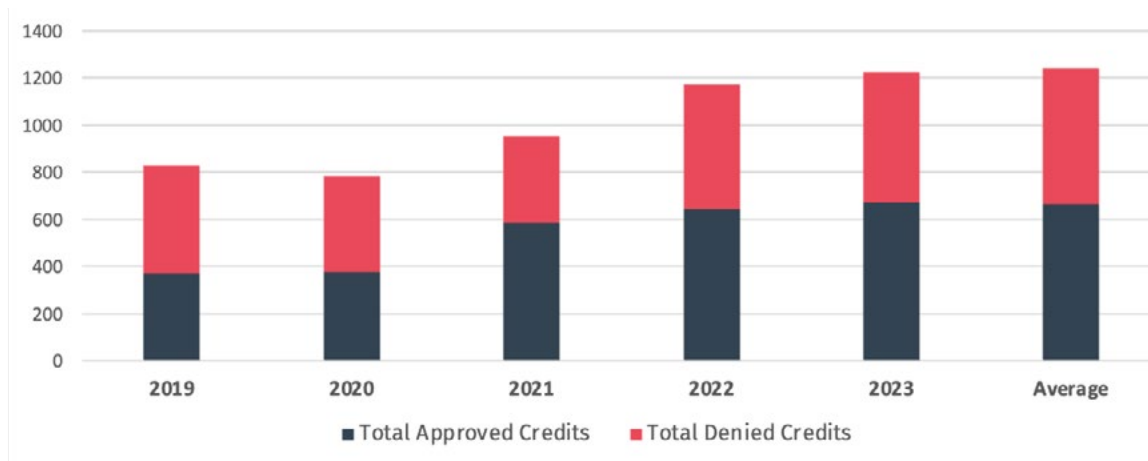


FIGURE 6: ACTUAL VS. MAXIMUM TAX CREDITS BY TAX YEAR

Note: “Maximum potential” tax credits is the total recorded precepted hours divided by 80 hours.

INCREASE IN NEW PRECEPTOR ENGAGEMENT

Recruitment of new preceptors is significant. Over the course of the five-year program, 200 providers who report never having taught in Hawai‘i before have registered with the tax credit program (Table 10). This cohort of individuals represents providers who are interested in starting to engage in clinical education, or novice preceptors. Of these, 84 have engaged in some clinical teaching and 76 taught enough hours to qualify for tax credits. The growth

year-over-year of novice preceptors has experienced considerable growth (Table 10, Figure 7). **An annual average of 16 novice providers start teaching each year. Therefore, this program is successful in recruiting healthcare professionals to start precepting and to engage in enough precepting activities to qualify for tax credits.**

YEAR	2019	2020	2021	2022	2023
Preceptors with no history or record of precepting	74	53	34	20	19
Cumulative total	74	127	161	181	200
Percent Change		72%	118%	145%	170%
Novice preceptors with recorded precepting hours	11	21	19	14	19
Cumulative total	11	32	51	65	84
Percent Change		191%	364%	491%	664%
Novice preceptors experience who received tax credit	9	18	17	13	19
Cumulative total	9	27	44	57	76
Percent Change		200%	389%	533%	744%

TABLE 10: GROWTH IN NOVICE PRECEPTORS, OVER TIME

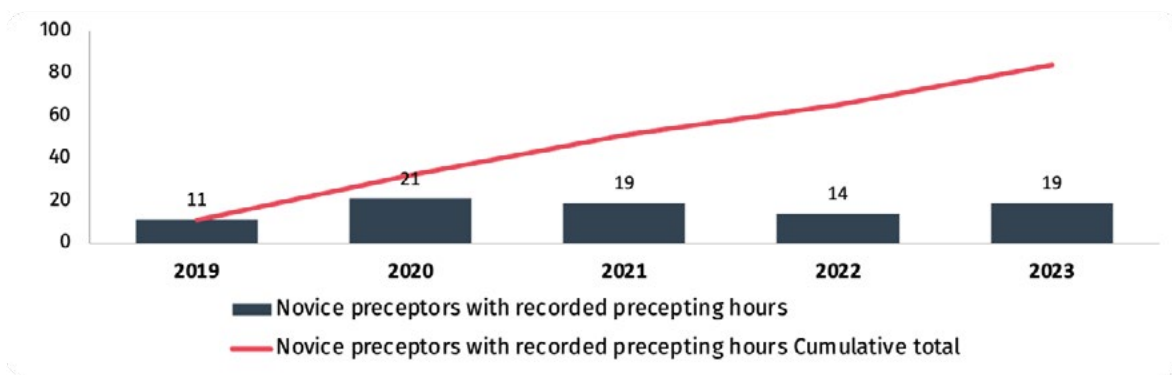


FIGURE 7: GROWTH FROM NOVICE ACTIVE PRECEPTORS, OVER TIME

One of the greatest outcomes is the engagement in precepting activities by clinicians who have never precepted in the past. As apparent in Figure 7, the growth of novice preceptors with recorded precepting hours has a 664% change since baseline (Table 10). The greater threshold, however, is precepting enough hours to qualify for tax credits. Remarkably, this percent change since the baseline is 744%. **This indicates that the preceptor tax credit is a motivator for novice preceptors to begin teaching.**

TAX CREDIT DISTRIBUTION

As noted earlier, many preceptors taught well over the maximum hours for tax credit eligibility. Act 43, SLH 2018 created a maximum of five tax credits, which is equivalent to \$5,000. Upon meeting all other eligibility requirements, the number of tax credits awarded to an eligible preceptor are determined by dividing the total hours taught by 80 hours (assuming that at least 5 students were precepted during the year). In 2023, 60% of preceptors received two or more tax credits (160 hours or more of training). In this same year, 20% of preceptors received five credits, which indicates that they taught 400 or more hours in that calendar year (Table 11).

	2019	2020	2021	2022	2023
5 credit (400 or more hours)	65	85	85	150	286
4 credits (320-399 hours)	56	48	100	84	58
3 credits (240-319 hours)	66	48	108	120	75
2 credits (160-239 hours)	104	94	182	150	137
1 credit (80-159 hours)	80	93	84	132	120

TABLE 11: NUMBER OF TAX CREDITS ISSUED BY NUMBER OF ROTATIONS

As reported in the 2022 Annual Report, despite growth in the number of tax credits certified and distributed, year over year, many preceptors who train, even at high volume, do not qualify for the tax credits. The volume of denied tax credits indicates challenges in making this state program truly accessible to preceptors. Overall, for providers who trained at least 80 hours or more, 24% of potential tax credits were not certified and distributed to providers. An additional 13% of providers precepted too few hours to receive tax credit (Table 12).

TAX CREDITS BY # OF ROTATIONS	2023 (POTENTIAL)	2023 (CERTIFIED)	DIFFERENCE (POTENTIAL - CERTIFIED)	% INELIGIBLE (POTENTIAL)	% INELIGIBLE (CERTIFIED)
5 credits (400+ hours)	365	286	79	22%	28%
4 credits (320-399 hours)	76	58	18	24%	31%
3 credits (240-319 hours)	120	75	45	38%	60%
2 credits (160-239 hours)	180	137	43	24%	31%
1 credit (80-159 hours)	145	120	25	17%	21%
Below 80 hours	119	0	119	100%	100%
TOTAL	886	676	210	24%	0%

TABLE 12: CUMULATIVE POTENTIAL CREDITS COMPARED TO CREDITS CERTIFIED IN 2022

Challenges

BARRIERS TO ADMINISTRATION

LIMITATIONS TO PROVIDER REGISTRATION

The state law requires that the Preceptor Credit Assurance Committee must verify that the taxpayer meets the requirements to serve as a preceptor. To secure this information, the PCAC established that tax credits may be provided only to eligible providers who have registered, thereby attesting to certain information required in state law to engage in this state benefit.

There continue to be providers who are still unaware of the preceptor tax credit program and therefore have not registered. The PCAC's participating academic institutions and residency/fellowship programs continue to report clinical rotations for providers who are providing clinical precepting rotations without registering for this program. Multiple times throughout the year, the PCAC representatives communicate to providers who are reported as precepting but not registered for this program, which positively yields new engagement in the program, as evidenced by growth in the number of active preceptors (Figure 4). The PCAC continues to reach out to providers who have an inactive status with the aims of growing the preceptor base of providers who are eligible and receiving benefits of this tax credit program.

Another reason that preceptors don't benefit from the program is that some providers who engage in clinical precepting are ineligible for the tax credit due to restrictions in the state law. Many of these providers have informally reported to the PCAC that they have declined to register for the program because they are ineligible for the tax credits.

The recorded rotations that were attributed to ineligible providers totaled 8,800 hours. The maximum potential tax credits would have equated to 110 credits, or \$110,000.

As illustrated in Figure 6, 550 rotations (45%) were denied tax credits (\$550,000). Regarding the tax credits issued for 2023, the maximum tax credit potential for the tax year would have been 1,224 tax credits (675 issued tax credits and 550 potential tax credits attributed to ineligible providers). This total remains below the total allowable tax credits of 1,500 (\$1,500,000) per tax year.

BARRIERS TO PRECEPTOR ELIGIBILITY

Each year, the Preceptor Credit Assurance Committee provides two letters to providers related to their eligibility. This communication supplements the tax form issued by the Department of Health. The communications provided to providers for tax credit eligibility or ineligibility include:

▼ Eligibility

- Received credits per Preceptor Credit Criteria
- Total eligible clinical rotations or rotation hours exceeded allowable maximum tax credits. Total allowable tax credits of a maximum of 5 were awarded.

▼ Ineligibility

- No clinical rotations are on record for the preceptor during the tax year.
- The clinical rotations were disqualified due to compensation for precepting activities.
- The preceptor did not register for Preceptor Tax Credit.
- The preceptor did not register for Preceptor Tax Credit and Specialty is not eligible per Act 43 SLH 2018.
- The preceptor did not register for Preceptor Tax Credit and license type is not eligible per Act 43 SLH 2018
- The specialty reported by the provider on the attestation is not primary care. Specialty is not eligible per Act 43 SLH 2018.
- License type is not eligible per Act 43 SLH 2018
- The total clinical rotation hours did not accumulate to minimum threshold of 80 hours.

The PCAC engages in process improvement and root cause analysis to determine the source of the above listed barriers and to impact change whenever possible. A detailed narrative of the barriers and solutions are listed as follows for the most common barriers.

CLINICAL ROTATIONS ARE LESS THAN THE MINIMUM

The most common reason credits are denied is the preceptor teaches fewer than the minimum 80 hours.

The Preceptor Credit Assurance Committee Academic Subcommittee records rotations by the number of rotation hours, date range, and student. If the total hours do not equal 80 hours across all rotations, the preceptor does not qualify for the minimum tax credit value. Communication is provided to the preceptor that the tax credit requires a minimum of 80 hours on the Preceptor Tax Credit website and in the pre-determination and determination letters.

In 2023, for example, 119 preceptors had recorded clinical rotation hours that, cumulatively, were less than 80 hours of teaching time. These preceptors account for 25% of the total active preceptors with recorded teaching time (Table 12).

CLINICAL ROTATIONS ARE MORE THAN THE MAXIMUM

A designed cause of not receiving full credit for teaching is the cap on tax credits that can be received. The PCAC Academic Subcommittee records rotations by the number of rotation hours, date range, and student. If the total hours exceed 400 hours across all rotations, the preceptor does not qualify for any value above the maximum allowable tax credit value (five tax credits with a value of \$5,000). Communication is provided to the provider that the tax credit maximum is five credits on the Preceptor Tax Credit website and in the pre-determination and determination letters.

TAX CREDIT EQUIVALENT	CUMULATIVE HOURS TAUGHT BY PRECEPTOR	NUMBER OF PRECEPTORS	PERCENT OF TOTAL RECORDED ROTATIONS	PERCENT OF TAX CREDIT ALLOCATION
5	Over 1000 hours	7	1%	2%
5	800-899 hours	6	1%	2%
5	700-799 hours	4	0%	1%
5	600-699 hours	12	1%	3%
5	500-599 hours	11	1%	3%
5	400-499 hours	33	3%	9%

TABLE 13: CUMULATIVE HOURS TAUGHT BY PRECEPTOR, REGARDLESS OF REGISTRATION STATUS

In 2023, 29 preceptors taught over 500 hours, including 15 preceptors who taught 1,000 or more. If there were no upper limit on tax credits, these preceptors would be able to potentially earn 12 (\$12,000) or more tax credits in a tax year (Table 13).

PRECEPTOR DID NOT REGISTER

The second most common reason for preceptors being denied tax credits is they did not register.

The PCAC Academic Subcommittee enters preceptor rotations throughout the calendar year. Three times each year (May, September, December), the Administrative Subcommittee validates the data by verifying each new preceptor through reviewing the Department of Commerce and Consumer Affairs Professional and Vocational Licensing Divisions' license database. Additionally, the Administrative Subcommittee sends each academic program a list of all of the program's recorded rotations to date for the current calendar year, a list of all inactive (un-registered) preceptors attributed to rotations for that program, and a list of registered preceptors with no clinical rotations on record for that calendar year, along with template letters to encourage inactive (unregistered) preceptors to register. The Academic Subcommittee is encouraged to communicate with inactive preceptors and provide information on how to become active (registered).

SPECIALTY	TOTAL COUNT OF PTC ROTATIONS	SUM OF ROTATION HOURS	PERCENT OF TOTAL HOURS
GRAND TOTAL, fields	2140	87872	100%
Specialties	116	3048	3%
Inactive	426	5751	7%
Primary Care	1598	79072	90%

TABLE 14: CUMULATIVE ROTATIONS AND ROTATION HOURS BY PROVIDER DESIGNATION

In 2023, 7% of all rotations (Table 14) were attributed to 141 providers who were unregistered (Table 3). These clinical rotations totaled 5,751 hours of teaching time, which represent a maximum potential of 71 additional tax credits that were ineligible for distribution due to the inactive status of the preceptor.

In 2022 for the first time, the Administrative Subcommittee sent a "predetermination letter" to all active preceptors with information relating to the number of recorded precepted clinical rotations, their recorded specialty, a determination of potential eligibility using the list above for reasons, and an estimate of tax credits for which the preceptor may be eligible. In the two years following implementation of this strategy, approximately one third of new registrations within the tax year occurred upon receipt of the predetermination letter (Table 15). Further, this letter decreased correction requests after the tax credits were issued. This additional communication was a positive addition to the program administration.

	2019	2020	2021	2022	2023	2024*
New Preceptor Registrations	374	129	127	160	168	94
Registration after Predetermination Letter distribution	N/A	N/A	N/A	47	50	N/A
Percent of total	N/A	N/A	N/A	29%	30%	N/A

TABLE 15: CUMULATIVE POTENTIAL CREDITS COMPARED TO CREDITS CERTIFIED IN 2022

*(Up to May 15, 2024)

SPECIALTY INELIGIBLE

The third leading reason for ineligibility is the number of providers who work in a specialty other than primary care who also engage as preceptors. Though many specialties train future primary care providers, they currently do not qualify for the tax credit. In 2023, 90% of the rotations recorded in the preceptor tax credit database were identified to be provided by a “primary care provider”. An additional 3% of the rotations were identified being provided by specialty providers (Table 14). Clinical rotations provided by specialty providers totaled 3,048 hours of teaching time, which represent a maximum potential of 38 additional tax credits that were ineligible for distribution due to the ineligible specialty practice of the preceptor.

Of the specialty providers that registered into the tax credit program, 99.6% of recorded hours are attributed to seven specialties (Table 16).

SPECIALTY	TOTAL COUNT OF PTC ROTATIONS	SUM OF ROTATION HOURS	PERCENT OF TOTAL SPECIALTY HOURS	DESIGNATION
Endocrinology/Diabetes	6	755	24.8%	Specialty
Cardiology	2	480	15.7%	Specialty
Critical Care	2	480	15.7%	Specialty
Specialty Pharmacy	2	480	15.7%	Specialty
Emergency Medicine	100	391	12.8%	Specialty
Behavioral Health	1	240	7.9%	Specialty
Pulmonology	1	210	6.9%	Specialty

TABLE 16: TOP SEVEN OF SPECIALTY ROTATIONS, BY HOURS TAUGHT

Overall, many more specialists have registered, indicating interest in precepting and in receiving tax credits for precepting. As of May 2024, there are 26 distinct specialty designations that have registered into the tax credit program, despite being ineligible for tax credits.

SPECIALTY	TOTAL COUNT OF PTC ROTATIONS	DESIGNATION
Acute Care	0	Specialty
Allergy/Immunology	0	Specialty
Ambulatory Care	5	Primary Care
Anesthesia	0	Specialty
Audiology	0	Specialty
Behavioral Health	1	Specialty
Cardiology	2	Specialty
Clinical Pharmacy	1	Primary Care
Community Pharmacy	14	Primary Care
Critical Care	2	Specialty
Dermatology	0	Specialty
Emergency Medicine	100	Specialty
Endocrinology/Diabetes	6	Specialty
Family	483	Primary Care
Gastroenterology	1	Specialty

General Medicine	1	Primary Care
Gerontology	319	Primary Care
Home Infusion (Pharmacy)	1	Primary Care
Internal Medicine	433	Primary Care
Multiple Specialties	0	Specialty
Nephrology	0	Specialty
Neurology	0	Specialty
OB/GYN/Women's Health	67	Primary care
Oncology/Hematology	1	Specialty
Ophthalmology	0	Specialty
Orthopedics	0	Specialty
Osteopathic Manipulative Medicine	2	Primary Care
Palliative Medicine/Hospice	17	Primary Care
Pediatrics	148	Primary Care
Physical Medicine & Rehabilitation	0	Specialty
Population Health	0	Primary Care
Primary Care	58	Primary Care
Pulmonology	1	Specialty
Radiology	0	Specialty
Retail Pharmacy	1	Primary Care
RN Nursing	0	Specialty
Specialty Pharmacy	2	Specialty
Sports Medicine	46	Primary Care
Surgery	0	Specialty
Undisclosed	0	Specialty
Urgent Care	2	Primary Care
Urology	0	Specialty
Wound Care	0	Specialty

TABLE 17: TOTAL SPECIALTIES BY PRIMARY CARE AND SPECIALTY CARE BY UNIQUE ROTATIONS

LICENSE TYPE IS NOT ELIGIBLE PER ACT 43 SH 2018

As of May 15, 2024, there are 1,227 unique preceptors registered for this tax credit program. There are four eligible license types: APRN, MD, DOS, PH. There are 1,184 eligible providers, by license type registered, representing 96% of all registered preceptors. In addition, 423 additional providers representing 12 additional license types are registered. They comprise 4% of the total registered preceptors. Though they may engage in precepting, Act 43 defines preceptor eligibility by license type and these preceptors are automatically disqualified from eligibility due to ineligibility of their license type (Table 18).

LICENSE	INELIGIBLE	ELIGIBLE	TOTAL COUNTS
AMD	14		Ineligible
APRN		264	Eligible
AT	1		Ineligible
AUD	1		Ineligible
DOS		69	Eligible
DOSR	2		Ineligible
MD		758	Eligible
MDR	4		Ineligible
MO	1		Ineligible
ND	1		Ineligible
OD	2		Ineligible
PH		93	Eligible
PT	2		Ineligible
RN	13		Ineligible
RT	1		Ineligible
AP	1		Ineligible

TABLE 18: TOTAL LICENSE TYPES REGISTERED BY ELIGIBILITY STATUS

The PCAC worked with academic programs for registered dietitians, physician assistants, and social work to determine that their programs meet the same criteria as the presently included professions. These criteria are as follows:

- ✎ Academic program has physical presence in Hawai'i;
- ✎ Academic program holds national accreditation in program area;
- ✎ Education is at the graduate level;
- ✎ Providers hold a license to practice in Hawai'i; and
- ✎ Clinical rotations are part of the academic requirements for graduation.

Upon verifying that these professions met the eligibility criteria, the PCAC drafted proposed legislation to the Hawai'i State Legislature to amend the Tax Credit statutes to include these professions. The bills introduced in 2023 and 2024 included the proposal to add in registered dietitians, social work, and physician assistants (Table 19). These bills were not enacted.

2020	SB31 - Bill died after crossover in the second committee of the House due to COVID Pandemic.
2021	HB306 - Bill died after crossover SB976 - Bill assigned to one committee after crossover, died due to federal American Rescue Plan Act (ARPA) which prohibited tax relief expansion in order to receive federal support
2022	HB1975 - Bill died in House Finance in preference to the Senate version that moved forward earlier. SB3208 - Bill died after crossover.
2023	SB1215 - Bill died after crossover in House Finance SB439 - Bill died before crossover. HB82 - Contents of HB1450 put into HB82 text as working vehicle HB1450 - HB82 used as vehicle in the House.
2024	SB2117 - Bill died before first lateral filing deadline.

TABLE 19: LIST OF BILLS RELATED TO PRECEPTOR TAX CREDITS, OVER TIME

Bills introduced in 2020 through 2024 all aimed to address this barrier by recognizing precepted clinical rotations by any specialty that trains future primary care providers. These efforts have been unsuccessful.

COMPENSATION FOR TEACHING

The PCAC Academic Subcommittee reports to the Administrative Subcommittee whether preceptor sites require compensation for teaching activities. These sites are manually updated on an annual basis to document whether an educator receives compensation for precepted clinical rotations, which would then disqualify the preceptor from earning a tax credit. Communication is widely available to providers that the tax credit is for “uncompensated” clinical rotations, including the preceptor tax credit website, upon registration, and in the pre-determination and determination letters.

Some providers have communicated concern and fear about receiving tax credits for precepting clinical rotations (a voluntary activity) while at their place of compensated employment (self-employed or otherwise). The PCAC has provided documentation and a self-assessment quiz on the website to clarify that only compensation for precepting is considered in regard to eligibility for the tax credit. In addition, the PCAC has worked with the legislature to update and improve the language that appears in statute to clarify this common misconception.

Recommendations

The Preceptor Tax Credit Program continues to grow the number of providers registered, the number of providers engaging in clinical teaching, and the number of providers receiving tax credits. However, some providers continue to be turned away from earning tax credits despite their voluntary engagement as clinical preceptors.

PCAC recommendations to improve the distribution of tax credits to providers include:

- ▼ Remove the primary care provider criteria. This program has demonstrated that it can successfully grow clinical rotation engagement. However, primary care is not the only needed healthcare role in this state. This program should be made accessible to any MD, DO, APRN, or PH that is engaged in clinical teaching in this state. Specifically, amendments should be made to the definition of “nationally accredited” and “preceptor” to remove “primary care”.
- ▼ Improve the clarity of “compensation”. Bills introduced in 2020, 2021, 2022, and 2023 sought to clarify compensation. Many preceptors communicate concern that their paid role as a physician, advanced practice registered nurse, or pharmacist makes them ineligible. Rather “uncompensated” means receiving payment directly for teaching that is above and beyond their base earnings. Improving the language to clarify the intent will improve the ease of and confidence in engaging in this program by providers.
- ▼ Include other health care professions that train students in Hawai`i. Hawai`i continues to have dire access to healthcare shortages that impact access to care. Challenges and events since 2020, including the COVID-19 pandemic and provider deaths and departures have made even critical access to healthcare further from reach, particularly in remote and rural islands. Expanding Preceptor Tax Credit to additional professions will extend the benefits of this program to more fully meet the healthcare needs of the population. Professions that meet eligibility criteria,

including having an in-state program, pre-licensure education, licensed healthcare professionals, and preceptor (one-on-one) education include:

- Registered Nursing
- Registered Dietitian
- Physician Assistant
- Social Work
- Licensed Clinical Psychology
- Marriage and Family Therapy
- Physical Therapy (program in development)

While not all these programs have demonstrated interest in engaging in the program, all have workforce shortages in our state. Adding all of these professions may exceed the tax credits allocated; however, there remains funds in the tax credit program every year.

- ▼ Reinforce administrative support. This program is in the Department of Health but has no specific representation by the Department of Health. Bills introduced in 2020, 2021, 2022, 2023 and 2024 sought to clarify representation by a Department of Health representative. In addition, this program requires significant information technology (IT) and administrative support, by the Hawai'i State Center for Nursing, the University of Hawai'i John A. Burns School of Medicine Area Health Education Center (AHEC) staff, and each of the participating academic institutions and fellowship programs. Should there be expansion of academic programs/health care professions, a dedicated administrative officer will be needed to maintain the program management.



Conclusion

The Preceptor Tax Credit program, overseen by the Preceptor Credit Assurance Committee which is a committee of the Department of Health, is successfully meeting the aims established by Act 43, SLH 2018. This program awarded \$676,000 tax credits in 2023, with a cumulative \$2,657,000 tax credits issued to Hawai'i's eligible health care providers since 2019.

Between 2019 and 2023, registered providers who taught at least one rotation increased by 71%, regardless of total time spent teaching. Despite this, in 2023, only 53% of the maximum potential tax credits were awarded, and 47% of potential credits were denied due to preceptor qualifying criteria. The Preceptor Tax Credit program is successful in growing the number of providers registering in the preceptor tax credit program, as well as completing clinical education for advanced practice registered nurses, physicians, and pharmacists. However, the Preceptor Tax Credit program is impeded by the preceptor qualifying criteria which program performance outcomes has demonstrated to be restrictive. This program can be improved by removing the primary care requirement, adding additional professions, and bolstering the administrative design to ensure continued success. Removal of these restrictions will benefit the state by increasing educational capacity for healthcare professions, while not impacting the efficacy and quality of the program.



Addendums

Addendum A: Act 43, SLH 2018



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

June 13, 2018

GOV. MSG. NO. 1143

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Ninth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Twenty-Ninth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on June 13, 2018, the following bill was signed into law:

SB2298 SD2 HD3 CD1

RELATING TO HEALTHCARE PRECEPTOR TAX
CREDITS
ACT 043 (18)

Sincerely,

A handwritten signature in black ink that reads "David Y. Ige".

DAVID Y. IGE
Governor, State of Hawai'i

A BILL FOR AN ACT

RELATING TO HEALTHCARE PRECEPTOR TAX CREDITS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that demand for
2 healthcare providers in Hawaii is growing because of an increase
3 in population size, particularly among the aged population; an
4 improvement in access to care due to broader insurance coverage;
5 and a higher prevalence of chronic diseases. At the same time,
6 there is a primary care provider shortage in Hawaii that will be
7 exacerbated by the projected retirements of current physicians
8 and advanced practice registered nurses. If nothing is done to
9 address the gap between healthcare supply and demand, patients
10 will suffer from longer wait times to see providers and poorer
11 health outcomes. Even more so, the evolution of healthcare
12 delivery means academic institutions across Hawaii face
13 challenges in ensuring an adequate number of future healthcare
14 professionals who are well-distributed by location and by
15 specialty and who are prepared to deliver primary, specialty,
16 and behavioral health care in rural, urban, and suburban
17 settings across Hawaii. Thus, the legislature acknowledges that
18 in order to meet these growing healthcare demands, the State



1 must work with academic institutions and healthcare
2 professionals to ensure that there is an adequate and well-
3 prepared healthcare workforce.

4 The legislature further finds that Hawaii high school
5 students and residents are interested in pursuing careers in the
6 healthcare service industry. However, in-state educational
7 institutions are constrained by the lack of clinical education
8 sites in Hawaii and the limited supply of qualified primary and
9 specialty care preceptors. The legislature recognizes that
10 efforts are currently underway to address these clinical site
11 limitations, including travel support from health professional
12 schools in Hawaii for students and residents who are incurring
13 high costs for training away from their home island. With out-
14 of-state training having such a high cost, the State must
15 consider expanding in-state healthcare provider education
16 capacity.

17 The legislature also finds that the development of new
18 clinical preceptors and training sites is increasingly
19 difficult. The cohort of preceptors consists largely of
20 volunteers who share the kuleana of educating the future
21 healthcare workforce. Yet, providers who offer such volunteer-



1 based education assume this responsibility above and beyond
2 their regular patient-care responsibilities, subjecting
3 themselves to preceptor fatigue, especially in busy clinical
4 settings. Developing sufficient clinical training opportunities
5 in areas of high demand requires a sufficient number of
6 appropriately trained preceptors, but the limited availability
7 of preceptors restricts in-state healthcare academic
8 institutions from expanding healthcare provider training. Some
9 states, including Maryland, Georgia, and Colorado, have
10 identified preceptor tax exemptions as a means to increase the
11 supply of health professional preceptors and trainees.

12 The purpose of this Act is to create a tax credit that
13 encourages preceptors to offer professional instruction,
14 training, and supervision to students and residents seeking
15 careers as primary care physicians and advanced practice
16 registered nurses throughout Hawaii, with the intention of
17 building capacity for clinical education at in-state academic
18 programs that are nationally accredited for the training of
19 primary care physicians, advanced practice registered nurses,
20 and pharmacy professionals.



1 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§235- Healthcare preceptor tax credit. (a) There
5 shall be allowed to each taxpayer subject to the tax imposed by
6 this chapter, a healthcare preceptor tax credit that shall be
7 deductible from the taxpayer's net income tax liability, if any,
8 imposed by this chapter for the taxable year in which the credit
9 is properly claimed.

10 (b) The amount of the credit shall be equal to \$1,000 for
11 each volunteer-based supervised clinical training rotation
12 supervised by the taxpayer, up to a maximum of \$5,000 per
13 taxable year, regardless of the number of volunteer-based
14 supervised clinical training rotations supervised by the
15 taxpayer.

16 (c) The director of taxation:

17 (1) Shall prepare any forms that may be necessary to claim
18 a tax credit under this section;

19 (2) May require the taxpayer to furnish reasonable
20 information to ascertain the validity of the claim for
21 the tax credit made under this section; and



1 (3) May adopt rules pursuant to chapter 91 necessary to
2 effectuate the purposes of this section.

3 (d) The preceptor credit assurance committee, established
4 under section 321- , shall:

5 (1) Maintain records of the names, addresses, and license
6 numbers of the taxpayers claiming the credit under
7 this section;

8 (2) Certify the number of volunteer-based supervised
9 clinical training rotations each taxpayer conducted
10 by:

11 (A) Verifying that the taxpayer meets the
12 requirements to serve as a preceptor;

13 (B) Verifying the number of hours the taxpayer spent
14 supervising an eligible student in each
15 volunteer-based supervised clinical training
16 rotation;

17 (C) Verifying that the eligible student was enrolled
18 in an academic program in Hawaii; and

19 (D) Verifying that the taxpayer was uncompensated;
20 and



1 (3) Certify the amount of the tax credit for each taxpayer
2 for each taxable year and the cumulative amount of the
3 tax credit.

4 Upon each determination, the preceptor credit assurance
5 committee shall issue a certificate to the taxpayer verifying
6 the number of volunteer-based supervised clinical training
7 rotations supervised by the taxpayer, the credit amount
8 certified for the taxpayer for each taxable year, and the
9 cumulative amount of tax credits certified. The taxpayer shall
10 file the certificate with the taxpayer's tax return with the
11 department.

12 (e) If in any taxable year the annual amount of certified
13 credits for all taxpayers reaches \$1,500,000 in the aggregate,
14 the preceptor credit assurance committee shall immediately
15 discontinue certifying credits and notify the department of
16 taxation. In no instance shall the preceptor credit assurance
17 committee certify a total amount of credits exceeding \$1,500,000
18 per taxable year. To comply with this restriction, the
19 preceptor credit assurance committee shall certify or deny
20 credits in the order submitted for certification; provided that



1 credits shall not be submitted for certification prior to the
2 supervised clinical training rotation being performed.

3 (f) If the tax credit under this section exceeds the
4 taxpayer's income tax liability, the excess of the credit over
5 liability may be used as a credit against the taxpayer's income
6 tax liability in subsequent years until exhausted. All claims
7 for the tax credit under this section, including amended claims,
8 shall be filed on or before the end of the twelfth month
9 following the close of the taxable year for which the credits
10 may be claimed. Failure to comply with the foregoing provision
11 shall constitute a waiver of the right to claim the credit.

12 (g) For the purposes of this section:

13 "Academic program" means an academic degree granting
14 program or graduate medical education program that:

15 (1) Holds either its principal accreditation or a physical
16 location in Hawaii; and

17 (2) Provides education to students, of whom more than
18 fifty per cent are residents of Hawaii.

19 "Advanced practice registered nurse student" means an
20 individual participating in a nationally accredited academic
21 program that is for the education of advanced practice



1 registered nurses and recognized by the state board of nursing
2 pursuant to chapter 457.

3 "Eligible professional degree or training certificate"
4 means a degree or certificate that fulfills a requirement to be
5 a physician or osteopathic physician, pursuant to chapter 453,
6 an advanced practice registered nurse, pursuant to chapter 457,
7 or a pharmacist, pursuant to chapter 461.

8 "Eligible student" means an advanced practice registered
9 nurse student, medical student, or pharmacy student who is
10 enrolled in an academic program.

11 "Medical student" means an individual participating in a
12 nationally accredited academic program leading to the medical
13 doctor or doctor of osteopathy degree. "Medical student"
14 includes graduates from nationally accredited academic programs
15 who have continued their training, in the role of resident or
16 fellow, to obtain the additional qualifications needed for
17 medical licensure, pursuant to chapter 453, or specialty
18 certification.

19 "Nationally accredited" means holding an institutional
20 accreditation by name to offer post-secondary medical primary
21 care education. Accreditation for medical students shall be



1 offered by the Liaison Committee on Medical Education or
2 American Osteopathic Association Commission on Osteopathic
3 College Accreditation. Accreditation for advanced practice
4 registered nurse students shall be offered by the Commission on
5 Collegiate Nursing Education.

6 "Pharmacy student" means an individual participating in an
7 academic program that is nationally accredited for the training
8 of individuals to become registered pharmacists pursuant to
9 chapter 461.

10 "Preceptor" means a physician or osteopathic physician,
11 licensed pursuant to chapter 453, an advanced practice
12 registered nurse, licensed pursuant to chapter 457, or a
13 pharmacist, licensed pursuant to chapter 461, who is a resident
14 of Hawaii and who maintains a professional primary care practice
15 in this State.

16 "Primary care" means the principal point of continuing care
17 for patients provided by a healthcare provider, including health
18 promotion, disease prevention, health maintenance, counseling,
19 patient education, diagnosis and treatment of acute and chronic
20 illnesses, and coordination of other specialist care that the
21 patient may need.



1 "Volunteer-based supervised clinical training rotation"
2 means an uncompensated period of supervised clinical training of
3 an eligible student that totals at least eighty hours of
4 supervisory time annually, in which a preceptor provides
5 personalized instruction, training, and supervision to an
6 eligible student to enable the eligible student to obtain an
7 eligible professional degree or training certificate."

8 SECTION 3. Chapter 321, Hawaii Revised Statutes, is
9 amended by adding a new section to be appropriately designated
10 and to read as follows:

11 "§321- Preceptor credit assurance committee. (a) There
12 is established the preceptor credit assurance committee within
13 the department of health. The committee shall develop and
14 implement a plan for certifying healthcare preceptor tax credits
15 under section 235- , including:

16 (1) Developing a process ensuring that requests for credit
17 certification are reviewed and verifications are
18 processed no later than thirty days following the
19 close of each calendar year;



- 1 (2) Developing the documentation process for the committee
2 to certify a preceptor for the tax credit; provided
3 that the documentation to be collected shall include:
- 4 (A) The preceptor's name, address, place of practice,
5 and Hawaii provider license number;
- 6 (B) Dates and hours of volunteer-based supervised
7 clinical training rotation per eligible student;
- 8 (C) Attestation that the preceptor is uncompensated
9 for the volunteer-based supervised clinical
10 training rotation; and
- 11 (D) Other information deemed necessary by the
12 committee.
- 13 (b) The committee shall be composed of representatives of:
- 14 (1) The Hawaii/Pacific basin area health education center;
15 (2) The center for nursing; and
16 (3) Academic programs with eligible students.
- 17 (c) Members of the committee shall be immune from civil
18 liability for any official act, decision, or omission performed
19 for the purpose for which the committee was established, except
20 for any acts, decisions, or omissions that constitute gross
21 negligence or wilful misconduct.



1 (d) The proceedings of the committee shall not be subject
2 to part I of chapter 92.

3 (e) As used in this section, "academic program", "eligible
4 student", "preceptor", and "volunteer-based supervised clinical
5 training rotation" shall have the same meanings as in section
6 235- ."

7 SECTION 4. The department of health shall evaluate the
8 efficacy of the healthcare preceptor tax credit established by
9 this Act and submit a report to the legislature no later than
10 June 30, 2024, which shall include the department's findings and
11 a recommendation of whether the tax credit should be retained
12 without modification, amended, or repealed.

13 SECTION 5. New statutory material is underscored.

14 SECTION 6. This Act shall take effect upon its approval;
15 provided that section 2 shall apply to taxable years beginning
16 after December 31, 2018.

APPROVED this 13 day of JUN, 2018




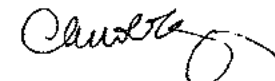
GOVERNOR OF THE STATE OF HAWAII

THE SENATE OF THE STATE OF HAWAI‘I

Date: May 1, 2018
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the
Senate of the Twenty-ninth Legislature of the State of Hawai‘i, Regular Session of 2018.


President of the Senate


Clerk of the Senate

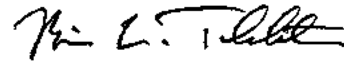
THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 1, 2018
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Twenty-Ninth Legislature of the State of Hawaii, Regular Session of 2018.



Scott K. Saiki
Speaker
House of Representatives



Brian L. Takeshita
Chief Clerk
House of Representatives

Addendum A1: Tax form N358 2018

FORM N-358 (2018)	HEALTHCARE PRECEPTOR INCOME TAX CREDIT	TAX YEAR 2019
Or fiscal year beginning _____, 2019, and ending _____, 20____		

ATTACH TO FORM N-11

Name as shown on Form N-11	SSN
----------------------------	-----

Part I CREDIT CERTIFICATE

DEPARTMENT OF HEALTH CERTIFICATE (Completed by the Department of Health only)	
1. Name of taxpayer	2. SSN
3. Address (Number and street, including apartment number or rural route, city, state, and postal/zip code)	
4. Total qualified rotations:	
5. Amount of tax credit allowed for the taxable year	\$
This is to certify that the amounts noted above have been verified in accordance with section 235-XX, Hawaii Revised Statutes.	
_____ Signature of Certifying Officer	_____ Date of Certification
_____ Type or Print Name and Title	



Part II COMPUTATION OF TAX CREDIT

1 Total amount of certified tax credit allowed for the taxable year from Part I, line 5	1	
2 Carryover of unused healthcare preceptor income tax credit from prior year	2	
3 Tentative current year healthcare preceptor income tax credit — add lines 1 and 2	3	
Adjusted Tax Liability		
4 Individuals — enter the amount from Form N-11, line 34	4	
5 If you are claiming other nonrefundable tax credits, complete the worksheet on page 2 of the instructions and enter the total here. If you are not claiming other nonrefundable credits, enter zero	5	
6 Line 4 minus line 5. This represents your adjusted tax liability. If the result is zero or less, enter zero	6	
7 Total credit allowed — enter the smaller of line 3 or line 6. This is your healthcare preceptor income tax credit allowable for the year. Enter this amount, rounded to the nearest dollar, on the appropriate line for the credit on Schedule CR	7	
8 Total amount carryforward of unused credit — Line 3 minus line 7. This represents your unused credit available to carryforward to be used against tax liability in subsequent tax years until exhausted	8	

GENERAL INSTRUCTIONS

PURPOSE OF FORM

Use Form N-358 to figure and claim the healthcare preceptor income tax credit under section 235-XX, Hawaii Revised Statutes (HRS).

WHO MAY CLAIM THIS CREDIT

For taxable years beginning AFTER December 31, 2018, each taxpayer who provides volunteer-based supervised clinical training rotations that are certified by the Department of Health may claim a nonrefundable healthcare preceptor income tax credit for the taxable year in which the taxpayer's qualified rotations are certified by the Department of Health.

CREDIT REQUIREMENTS

Section 235-XX, HRS, provides that the amount of the credit is:

- (1) Equal to \$1,000 for each volunteer-based supervised clinical training rotation, up to a maximum of \$5,000 per taxable year, regardless of the number of volunteer-based supervised clinical training rotations supervised by the taxpayer.

To claim this credit, you must complete and attach to your Hawaii income tax return:

- (1) Form N-358 (Complete Part II and attach.)
- (2) Schedule CR

If the credit exceeds the taxpayer's net income tax liability, the excess of credit over liability may

be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

DEADLINE FOR CLAIMING THE CREDIT

The deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

DEFINITIONS FOR PURPOSES OF THE CREDIT

"Academic program" means an academic degree granting program or graduate medical education program that:

- (1) Holds either its principal accreditation or a physical location in Hawaii; and
- (2) Provides education to students, of whom more than fifty percent are residents of Hawaii.

“Advanced practice registered nurse student” means an individual participating in a nationally accredited academic program that is for the education of advanced practice registered nurses and recognized by the state board of nursing pursuant to chapter 457.

“Eligible professional degree or training certificate” means a degree or certificate that fulfills a requirement to be a physician or osteopathic physician, pursuant to chapter 453, an advanced practice registered nurse, pursuant to chapter 457, or a pharmacist, pursuant to chapter 461.

“Eligible student” means an advanced practice registered nurse student, medical student, or pharmacy student who is enrolled in an academic program.

“Medical student” means an individual participating in a nationally accredited academic program leading to the medical doctor or doctor of osteopathy degree. “Medical student” includes graduates from nationally accredited academic programs who have continued their training, in the role of resident or fellow, to obtain the additional qualifications needed for medical licensure, pursuant to chapter 453, or specialty certification.

“Nationally accredited” means holding an institutional accreditation by name to offer post-secondary medical primary care education. Accreditation for medical students shall be offered by the Liaison Committee on Medical Education or American Osteopathic Association Commission on Osteopathic College Accreditation. Accreditation for advanced practice registered nurse students shall be offered by the Commission on Collegiate Nursing Education.

“Pharmacy student” means an individual participating in an academic program that is nationally accredited for the training of individuals to become registered pharmacists pursuant to chapter 461.

“Preceptor” means a physician or osteopathic physician, licensed pursuant to chapter 453, an advanced practice registered nurse, licensed pursuant to chapter 457, or a pharmacist, licensed pursuant to chapter 461, who is a resident of Hawaii and who maintains a professional primary care practice in this State.

“Primary care” means the principal point of continuing care for patients provided by a healthcare provider, including health promotion, disease prevention, health maintenance, counseling, patient education, diagnosis and treatment of acute and chronic illnesses, and coordination of other specialist care that the patient may need.

“Volunteer-based supervised clinical training rotation” means an uncompensated period of supervised clinical training of an eligible student that totals at least eighty hours of supervisory time annually, in which a preceptor provides personalized instruction, training, and supervision to an eligible student to enable the eligible student to obtain an eligible professional degree or training certificate.

CERTIFICATION OF CREDITS

The Department of Health shall:

- (1) Maintain records of the names, addresses, and license numbers of the taxpayers claiming

the credit under this section;

- (2) Certify the number of volunteer-based supervised clinical training rotations each taxpayer conducted by:
 - (A) Verifying that the taxpayer meets the requirements to serve as a preceptor;
 - (B) Verifying the number of hours the taxpayer spent supervising an eligible student in each volunteer-based supervised clinical training rotation;
 - (C) Verifying that the eligible student was enrolled in an academic program in Hawaii; and
 - (D) Verifying that the taxpayer was uncompensated; and
- (3) Certify the amount of the tax credit for each taxpayer for each taxable year and the cumulative amount of the tax credit.

Upon each determination, the Department of Health shall issue a certificate to the taxpayer verifying the number of volunteer-based supervised clinical training rotations supervised by the taxpayer, the credit amount certified for the taxpayer for each taxable year, and the cumulative amount of the tax credits certified. The taxpayer shall file the certificate with the taxpayer’s tax return with the Department of Taxation. Notwithstanding the Department of Health’s certification authority, the Director of Taxation may audit and adjust the certification to conform to the facts.

If in any taxable year the annual amount of certified credits reaches \$1,500,000 in the aggregate, the Department of Health shall immediately discontinue certifying credits for that taxable year and notify the Department of Taxation. In no instance shall the Department of Health certify a total amount of credits exceeding \$1,500,000 per taxable year. To comply with this restriction, the Department of Health shall certify credits on a first come, first served basis.

The request for certification to claim the Healthcare Preceptor Income Tax Credit may be obtained by mail from:

Department of Health
Preceptor Credit Assurance Committee
XXX XXX, Room XXX
XXX, HI 9XXXX

Telephone: (808) 586-XXXX

SPECIFIC INSTRUCTIONS

Part II, Computation of Tax Credit

Line 2 - This line is the carryover of unused healthcare preceptor income tax credit from the prior year.

Line 3 - Add lines 1 and 2. This is your tentative current year healthcare preceptor income tax credit.

Line 5 - Certain other tax credits must be used to offset a taxpayer’s tax liability before the healthcare preceptor income tax credit may be used. If you are claiming other nonrefundable tax credits, complete the **Credit Worksheet** below and enter the result on line 5. If you are not claiming any of the nonrefundable tax credits listed on the worksheet, enter zero on line 5.

Line 7 - Compare the amounts on lines 3 and 6. Enter the smaller of line 3 or 6 here, rounded to the nearest dollar. This is your maximum credit allowed for the taxable year.

HEALTHCARE PRECEPTOR INCOME TAX CREDIT WORKSHEET	
Tax Credit	Amount
a. Income Taxes Paid to Another State or Foreign Country.....	_____
b. Enterprise Zone Tax Credit.....	_____
c. Carryover of the Energy Conservation Tax Credit.....	_____
d. Credit for Employment of Vocational Rehabilitation Referrals	_____
e. Carryover of the Individual Development Account Contribution Tax Credit.....	_____
f. Credit for School Repair and Maintenance	_____
g. Carryover of the Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed In Service Before July 1, 2009).....	_____
h. Renewable Energy Technologies Income Tax Credit (Nonrefundable)	_____
i. Cesspool Upgrade, Conversion, or Connection Income Tax Credit.....	_____
j. Earned Income Tax Credit	_____
k. Add lines a through j. Enter the amount here and on Part II, line 5.....	=====

Addendum B: Preceptor Credit Assurance Committee Members

THE PRECEPTOR CREDIT ASSURANCE COMMITTEE

ORGANIZATION	MEMBER
JABSOM	Dr. Lee Buenconsejo-Lum, <i>Interim Dean</i>
AT Still University	Dr. Stephen Bradley
Chaminade	Dr. Pamela Smith, <i>Associate Dean</i>
Kaiser Residency	Dr. Jennifer Katada
DKI COP	Dr. Rae Matsumoto, <i>Dean</i>
UHH Nursing	Dr. Jeanette Ayers-Kawakami, <i>Director</i>
UHM Nursing	Dr. Clementina Ceria-Ulep, <i>Dean</i>
UHH Medicine	Dr. Allison Flaim, <i>Program Director</i>
Tripler Medicine Residency	Dr. William Wadzinski, <i>Program Director for Internal Medicine at Tripler</i>
HPU Nursing	Dr. Edna Magpantay-Monroe, <i>Dean</i>
AHEC	Dr. Kelley Withy
HSCN	Laura Reichhardt

ADVISORY MEMBERS

STATE DEPARTMENT	ADVISORY MEMBERS (NON-VOTING)
DOH	Lorrin J. Kim
DoTax	Joshua Michaels

ADMINISTRATIVE SUBCOMMITTEE

ORGANIZATION	STAFF
HSCN	Amy Ono, JD
AHEC	Vacant

ACADEMIC SUBCOMMITTEE

SCHOOL/DEPT	CONTACTS
ATSU Hawai'i	Leah Asano
Chaminade	Pamela Smith Becky Yoza Dana Monday
HPU Nursing	Shante Gleaton Jo Wakayama Liane Wong
JABSOM Family Medicine Students Family Med residents	Lira Quitevis Melodi Deiner

JABSOM Geriatrics	Misty Yee Tracy Gaeth Julie Katayama
JABSOM Medical – Internal Medicine	Scott Kuwada Julieta Rajlevsky
JABSOM Obstetrics	Lisa Kellet
JABSOM Pediatrics	Mele Walawender Gaile Yano Barry Mizuo Venkataraman Balaraman
JABSOM Pre-Clinical	Risa Tanaka Kelli Higa
JABSOM HOME Clinic	Jennalynn (Jena) Agena
Kaiser Permanente Residency	Jennifer Katada Sam Kojima Shawne Mateo
TAMC/VA	Anne Marie Madrid
UHH DKICP	Lara Gomez Jarred Prudencio
UHH Nursing	Bobbi Keli'i Becky D'Haem
UHM Nursing	Courtnee Nunokawa Wendy Suetsugu
Hawai'i Island Family Medicine Residency Program	Allison Flaim, DO

Addendum C: Program Report 2019-2020



HAWAII PRECEPTOR TAX CREDIT

2019 and 2020 Summary of Hawai'i Preceptor Tax Credit Program

Preceptor Credit Assurance Committee (PCAC) Administrative Subcommittee
Prepared by Laura Reichhardt, APRN, AGPCNP-BC and Kelley Withy, PhD, MD

In 2018, the Legislature passed Act 43, SLH, which established preceptor tax credits for advanced practice registered nurses (APRNs), physicians (Medical Doctors, MD, and Doctors of Osteopathy, DOS) and registered pharmacists (PH) who provide clinical teaching opportunities for in-state APRN, MD, DOS, and PH students. Annually for five years, 1,500 tax credits valued at \$1,000 each may be distributed, with a maximum of five credits per individual. The preceptor may not be employed or compensated specifically to teach, must be licensed in Hawai'i, engage a primary care practice, and teach students of local education or training programs. To verify provider eligibility, the Preceptor Credit Assurance Committee created an attestation form that, upon completing it, registers the preceptor for the tax credit program. To track precepted clinical teaching, the Preceptor Credit Assurance Committee academic and fellowship partners enter confirmed preceptor hours into the Preceptor Tax Credit database. Tax credits are allocated annually, in January of the following year, for individuals who are registered, have met the tax credit criteria, and have met minimum thresholds for tax credits for up to five credits. In 2019 and 2020, 371 and 368 tax credits were distributed to 181 and 185 providers, respectively (Table 1).

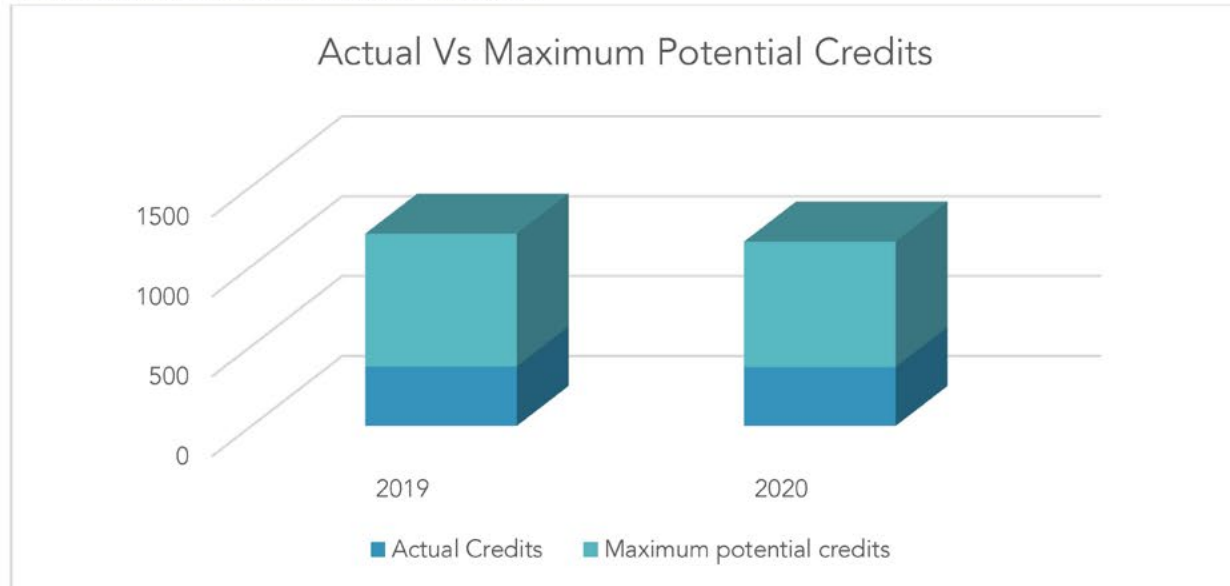
Table 1 Tax Credits by Provider Type with cost and percent allocation breakdown

License Type	Eligible Rotations	Total Credit	% of total	
APRN				
	2019	61	\$61,000	16%
	2020	61	\$61,000	17%
DOS				
	2019	13	\$13,000	4%
	2020	15	\$15,000	4%
MD				
	2019	277	\$277,000	75%
	2020	261	\$261,000	71%
PH				
	2019	20	\$20,000	5%
	2020	31	\$31,000	8%

Email PTC@hawaii.edu for alternate versions of this document will be provided upon request.

In a calculation of actual versus maximum potential tax credits by year, each year the Program awarded less than half of the maximum potential tax credits (Table 2). Limitations include registration status of the provider, not teaching enough hours to meet the threshold of 80 hours per tax credit, receiving compensation from employer and practicing in a specialty other than primary care.

Table 2 Actual vs. Maximum Potential Tax Credits



In 2020, to address registration status and providers not teaching adequate hours to meet the preceptor tax credit thresholds, the Preceptor Credit Assurance Committee increased training to the academic partners which increased communication to the preceptors about this program and their status. Despite the huge setbacks on healthcare education experienced due to COVID-19 resulting in nearly nine months of reduced or cancelled clinical learning opportunities, relatively similar rates of tax credits were provided in 2020 as compared to the inaugural year. This shows promise that the awareness activities had positive impact.

Remaining barriers are the limitation of only including primary care providers as eligible providers for this tax credit and uncertainty as to what “compensation” means. Though many specialties train future primary care providers, they currently do not qualify for the tax credit. In 2019 and 2020 combined, 72% of the rotations recorded in the preceptor tax credit database were identified to be provided by a “primary care provider”. An additional 28% of the preceptors were identified by specialty providers (Table 3). Further, common questions to the Program’s administrative team include if an employed provider who has no change in their practice expectations, minimal change to patient schedule, or other employment duties is considered “compensated to teach”.

The measures HB 306 and SB 976, in their current forms, aim to address these remaining barriers. The first change is to allow the Preceptor Credit Assurance Committee to identify specialties that train future primary care providers and make these specialty providers also eligible for the program. The second change is to clarify the compensation language to improve understanding and confidence of the preceptors of their eligibility for this program.

Table 3 Rotation Counts and Rotation Hours by Specialty

Specialties	Rotation Count	Rotation Hours Sum	Rotation Hours, % of total
Acute	7	1532	1.18%
Ambulatory Care	18	4104	3.17%
Behavioral Health	7	1600	1.24%
Cardiology	6	613	0.47%
COMMUNITY PHARMACY	5	1200	0.93%
Dermatology	2	180	0.14%
Diabetes	14	1535	1.19%
Emergency Medicine	138	1350	1.04%
Employee Health	2	195	0.15%
Endocrinology	6	54	0.04%
Family	855	32426	25.08%
Gastroenterology	6	54	0.04%
Geriatrics	455	14340	11.09%
Home Infusion	9	2088	1.61%
Inpatient Clinical Pharmacist	6	1440	1.11%
Internal Medicine	339	24016	18.57%
Nephrology	33	1163	0.90%
OBGYN	118	5859	4.53%
Oncology	10	364	0.28%
Orthopedics	7	590	0.46%
Palliative Medicine	10	434	0.34%
Pediatrics	178	9909	7.66%
Pharmacy	1	240	0.19%
Physical Medicine and Rehabilitation	1	90	0.07%
Physician Assistant	4	475	0.37%
PRIMARY / URGENT CARE	8	1008	0.78%
Pulmonary	21	1456	1.13%
Specialty Pharmacy	8	1776	1.37%
Sports	16	348	0.27%
Wound care, vascular surgery	2	83	0.06%
Unreported	521	18793	14.53%
Grand Total	2813	129315	100.00%

Note: specialties in red are "primary care" for the purposes of the tax credit program

Addendum D: Program Report 2021



2021 Summary of Hawai'i Preceptor Tax Credit Program

Preceptor Credit Assurance Committee (PCAC) Administrative Subcommittee

Prepared by Laura Reichhardt, APRN, AGPCNP-BC and Kelley Withy, PhD, MD

Key Findings:

- Tax credits distribution has increased significantly since 2019:

Year	2019	2020	2021
Preceptors	181	185	253
Tax Credits Awarded	371	368	559

- In 2021, 58% of the maximum potential tax credits were awarded.
- Registration by providers into the tax credit program has increased by 76% from baseline to 2021.
- Between 2019 and 2021, there was a 29% increase in registered preceptors who taught at least one rotation, regardless to total time spent teaching.
- The Preceptor Tax Credit program is successful in growing the number of preceptors interested in and actually completing clinical education for advanced practice nurses, physicians and pharmacists.
- In 2021, 17 preceptors receiving credit were new to precepting when they registered for the Preceptor Tax Credit program. Over three years, 43 tax credit recipients reported they had never precepted prior to registering for this program.
- Limitations to receiving a tax credit include registration status of the provider, not teaching enough hours to meet the threshold of 80 hours per tax credit, receiving compensation from employer and practicing in a specialty other than primary care.

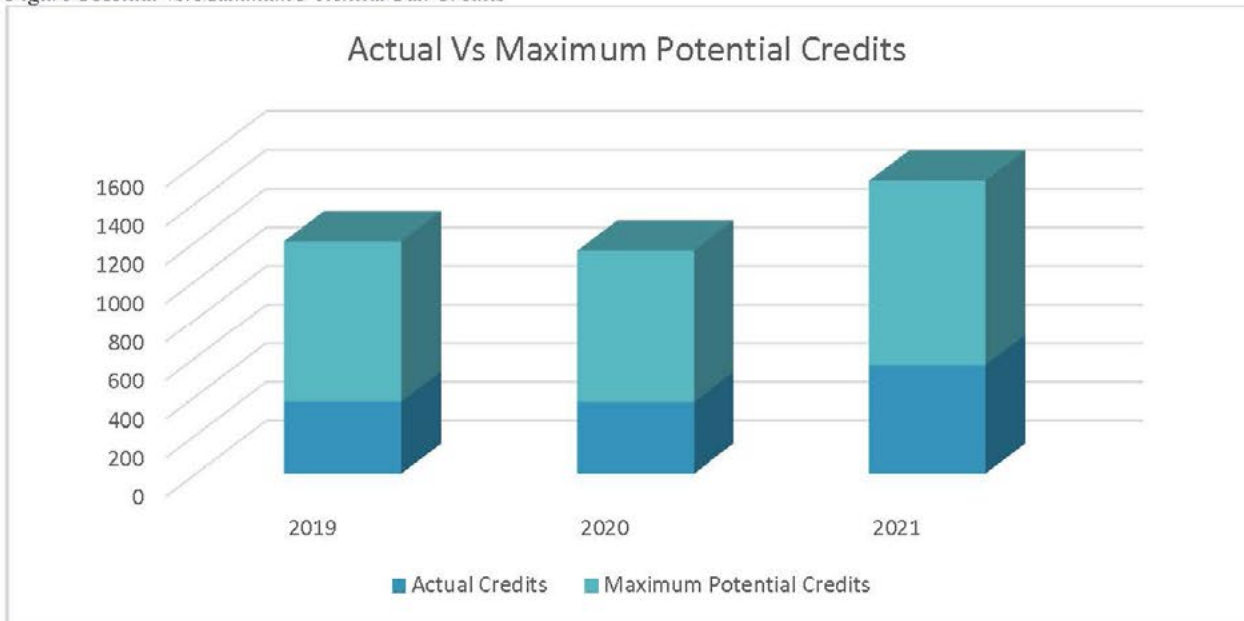
In 2018, the Legislature passed Act 43, SLH, which established preceptor tax credits for advanced practice registered nurses (APRNs), physicians (Medical Doctors, MD, and Doctors of Osteopathy, DOS) and registered pharmacists (PH) who provide clinical teaching opportunities for in-state APRN, MD, DOS, and PH students. Annually for five years, 1,500 tax credits valued at \$1,000 each may be distributed, with a maximum of five credits (\$5,000) per individual. The preceptor may not be employed or compensated specifically to teach, must be licensed in Hawai‘i, engage a primary care practice, and teach students of local education or training programs. To verify provider eligibility, the Preceptor Credit Assurance Committee created an attestation form that, upon completing it, registers the preceptor for the tax credit program. To track precepted clinical teaching, the Preceptor Credit Assurance Committee academic and fellowship partners enter confirmed preceptor hours into the Preceptor Tax Credit database. Tax credits are allocated annually, in January of the following year, for individuals who are registered, have met the tax credit criteria, and have met minimum thresholds for tax credits for up to five credits. In 2019 and 2020, 371 and 368 tax credits were distributed to 181 and 185 providers, respectively. In 2021, 599 tax credits were distributed to 253 providers (Table 1)

Table 1 Tax Credits by Provider Type with cost and percent allocation breakdown

License Type	Eligible Rotations	Total Credit	% of total
APRN			
	2019	61	\$61,000 16%
	2020	61	\$61,000 17%
	2021	72	\$72,000 13%
DOS			
	2019	13	\$13,000 4%
	2020	15	\$15,000 4%
	2021	29	\$29,000 5%
MD			
	2019	277	\$277,000 75%
	2020	261	\$261,000 71%
	2021	443	\$443,000 79%
PH			
	2019	20	\$20,000 5%
	2020	31	\$31,000 8%
	2021	15	\$15,000 3%

In a calculation of actual versus maximum potential tax credits by year, each year the Program awarded less than half of the maximum potential tax credits in 2019 and 2020, with improvement in 2021 to 58% of the maximum potential tax credits being awarded (Table 2). Limitations include registration status of the provider, not teaching enough hours to meet the threshold of 80 hours per tax credit, receiving compensation from employer and practicing in a specialty other than primary care.

Figure 1 Actual vs. Maximum Potential Tax Credits



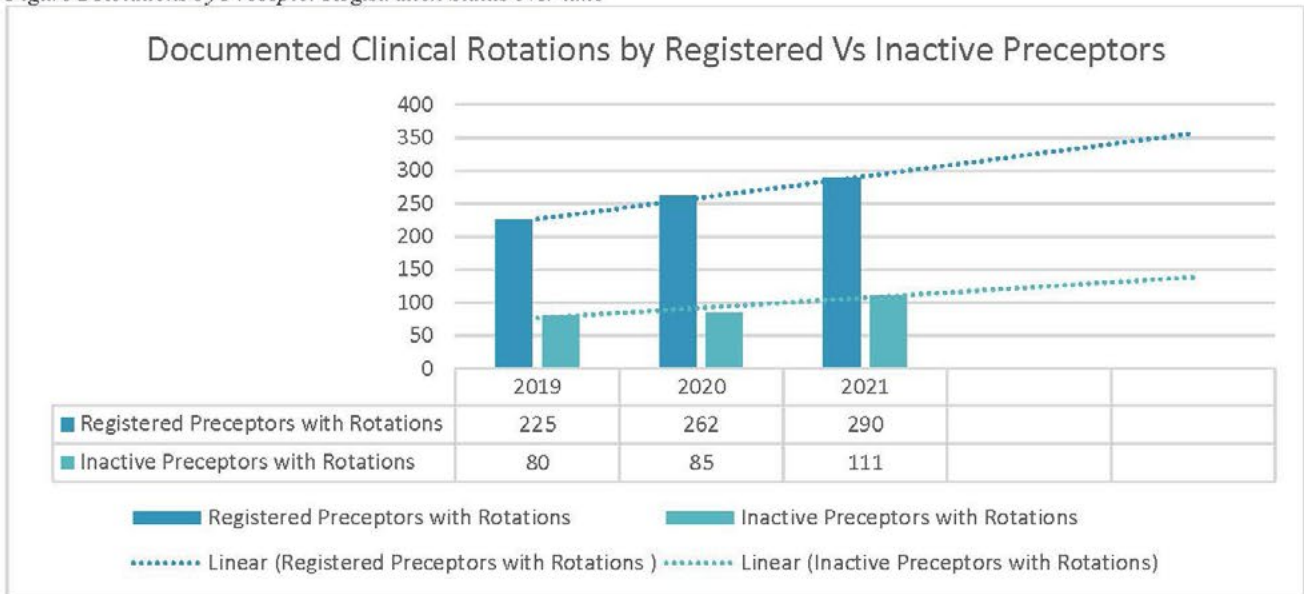
Note: Maximum potential hours is the total hours recorded divided by 80 hours.

In 2020, to address the low registration status and providers not teaching adequate hours to meet the preceptor tax credit thresholds, the Preceptor Credit Assurance Committee increased training to the Academic Subcommittee which increased communication to the preceptors about this program and their status. Despite the huge setbacks on healthcare education experienced due to COVID-19 resulting in nearly nine months of reduced or cancelled clinical learning opportunities, relatively similar rates of tax credits were provided in 2020 as compared to the inaugural year. This shows promise that the awareness activities had positive impact. In 2020 and 2021, the PCAC Administrative Subcommittee also sent out reports to all eligible schools with lists of preceptors who are completing rotations but have yet to register for the tax credit program and provided print flyers with information regarding the Preceptor Tax Credit Program to distribute to providers. In 2021 the state saw even greater participation, likely due, in part, to continuation of clinical education that was postponed or canceled due to the Coronavirus pandemic in 2020, as well as the awareness activities conducted by the Preceptor Credit Assurance Committee Academic and Administrative Subcommittees. Outcomes include approximately one third growth in registered preceptors and 76% change from 2019 to 2021, indicating increased awareness and interest in participation by preceptors (Table 3). From 2019 to 2021, there has also been an increase in preceptors completing clinical rotations. From 2019 to 2021, there was a 29% increase in registered preceptors who taught at least one rotation, regardless to total time spent teaching. When projected to the future, this trend is expected to continue growth (Figure 2). Both program outcomes and projections indicate that the Preceptor Tax Credit program is successful in growing the number of preceptors interested in and actually completing clinical education for advanced practice nurses, physicians and pharmacists.

Table 3 Registered Preceptors over time

	2019	2020	2021
Registered Preceptors	483	657	851
% Change from year prior		36%	30%

Figure 2 Rotations by Preceptor Registration Status over time



Since 2019, 85 providers have registered for the program who indicated that they have not engage in clinical precepting prior to registering. A remarkable 60% of these providers completing teaching activities between 2019 and 2021, and 51% of the total teaching enough hours to earn tax credits (Figure 3). The biggest year over year gains were between years one and two, and there is continued growth in recruiting providers who have never taught to engage in precepting and in securing education experiences with them (Table 4).

Figure 3 Rotations by Preceptor Registration Status over time

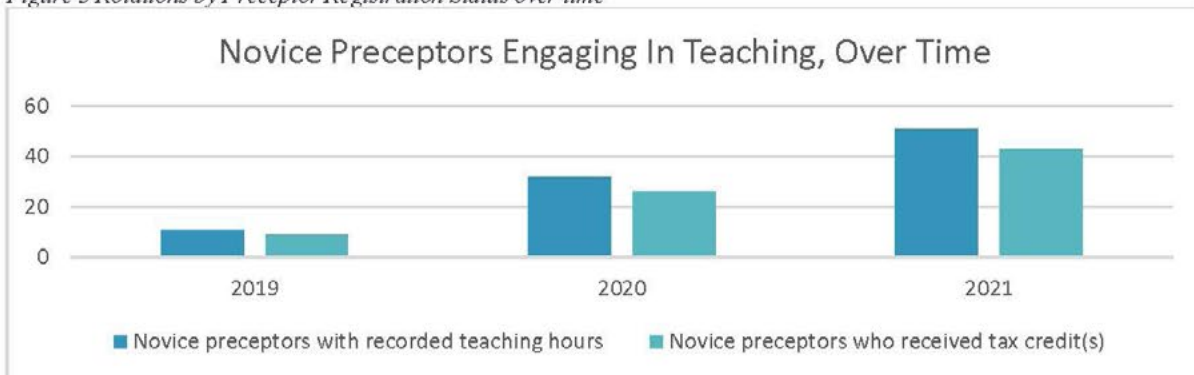


Table 4 Providers who reported being new to precepting who subsequently completed training activities

Year	2019	2020	2021
Novice preceptors with recorded teaching hours	11	21	19
Cumulative total		32	51
Percent Change		191%	59%
Novice preceptors experience who received tax credit	9	17	17
Cumulative total		26	43
Percent Change		189%	65%

Remarkably, many preceptors taught well over the maximum hours as it related to tax credit eligibility. Act 43, SLH 2018 created a maximum of 5 tax credits, which is equivalent to \$5,000 hours. Upon meeting all other eligibility standards, the number of tax credits are determined by dividing total hours taught by units of 80 hours. In 2021, while the majority (56%) taught between 80 and 319 hours, 11% of total preceptors, regardless of registration for tax credits, taught 400 or more hours.

Table 5 Cumulative hours taught by preceptor, regardless of registration status

Tax Credit Equivalent	Cumulative Hours Taught by Preceptor	Number of Preceptors	Percent of total
5	Over 1000 hours	4	1%
5	800-899 hours	5	1%
5	700-799 hours	4	1%
5	600-699 hours	1	0%
5	500-599 hours	8	2%
5	400-499 hours	23	6%
4	320-399 hours	30	7%
3	240-319 hours	39	10%
2	160-239 hours	93	23%
1	80-159 hours	95	24%
0	Below 80 hours	99	25%

Remaining barriers are the limitation of only including primary care providers as eligible providers for this tax credit and uncertainty as to what “compensation” means. Though many specialties train future primary care providers, they currently do not qualify for the tax credit. In 2021, 90% of the rotations recorded in the preceptor tax credit database were identified to be provided by a “primary care provider”. An additional 9% of the preceptors were identified by specialty providers (Table 3). Further, common questions to the Program’s administrative team include if an employed provider who has no change in their practice expectations, minimal change to patient schedule, or other employment duties is considered “compensated to teach”. The Preceptor Credit Assurance Committee clarified criteria under the current laws, but seeks further clarification to clearly delineate in law what otherwise cannot be clarified by committee determination.

The measures HB 1975 and SB 3208 in the 2022 Hawaii Legislature, aim to address these remaining barriers. The first change is to allow the Preceptor Credit Assurance Committee to identify specialties that train future primary care providers and make these specialty providers also eligible for the program. The second change is to clarify the compensation language to improve understanding and confidence of the preceptors of their eligibility for this program.

Table 6 Rotation Counts and Rotation Hours by Specialty

Specialty	Count of PTC Rotation: PTC Rotation Number	Sum of # of Rotation Hours	Percent of Total
Behavioral Health	1	240	0.38%
General Medicine	1	292	0.46%
Ambulatory Care	2	480	0.75%
Critical Care	2	480	0.75%
Diabetes	2	170	0.27%
Home Infusion	2	480	0.75%
Infectious Disease	2	160	0.25%
Pulmonary	2	176	0.28%
Specialty Pharmacy	2	480	0.75%
Cardiology	4	432	0.68%
Clinical Pharmacy	4	960	1.51%
Gastroenterology	4	22	0.03%
Orthopedics	4	339	0.53%
Osteopathic Manipulative Medicine	5	320	0.50%
Urgent Care	11	1239	1.95%
Multiple Specialties	12	1704	2.68%
Oncology/Hematology	12	1033	1.62%
Sports Medicine	17	384	0.60%
Palliative Medicine	20	604	0.95%
OB/GYN/Women’s Health	48	4169	6.55%
Pediatrics	91	7110	11.18%
Geriatrics	186	6524	10.26%
Emergency Medicine	275	1042	1.64%
Internal Medicine	333	13739	21.60%
Family	807	21031	33.06%
Grand Total	1849	63610	100%
Specialties, combined	322	6278	9.87%

Note: specialties in bold are “specialty” for the purposes of the tax credit program

Addendum E: Program Report 2022



2022 Summary of Hawai'i Preceptor Tax Credit Program

Preceptor Credit Assurance Committee (PCAC) Administrative Subcommittee
Prepared by Laura Reichardt, APRN, AGPCNP-BC and Kelley Withy, PhD, MD

Key Findings:

- Tax credits distribution has increased significantly since 2019:

Year	2019	2020	2021	2022
Preceptors	181	190	261	301
Tax Credits Awarded	371	378	587	645

- In 2022, 55% of the maximum potential tax credits were awarded.
- Provider registration into the tax credit program increased by 96% from 2019 to 2022.
- Between 2019 and 2022, there was a 72% increase in registered providers who taught at least one rotation, regardless of total time spent teaching.
- The Preceptor Tax Credit program is successful in growing the number of providers registering in the preceptor tax credit program, as well as completing clinical education for advanced practice registered nurses, physicians, and pharmacists.
- In 2022, 13 providers receiving tax credit were new to precepting when they registered for the Preceptor Tax Credit program. Over four years, 57 providers who were tax credit recipients reported they had never precepted prior to registering for this program.
- Limitations to receiving a tax credit include registration status of the provider, not precepting enough hours to meet the threshold of 80 hours per tax credit, receiving compensation from employer, and practicing in a specialty other than primary care.

Background

In 2018, the Legislature passed Act 43, SLH 2018, which established preceptor tax credits for providers, defined as advanced practice registered nurses (APRNs), physicians (Medical Doctors, MD, and Doctors of Osteopathy, DOS) and registered pharmacists (PHs) who provide clinical teaching opportunities, “precepting”, for in-state APRN, MD, DOS, and PH students. Annually, 1,500 tax credits valued at \$1,000 each may be distributed with a maximum of five credits (\$5,000) per individual. The preceptor may not be employed or specifically compensated to teach, must be licensed in Hawai‘i, must engage in a primary care practice, and must teach students of local education or training programs. To verify provider eligibility, the Preceptor Credit Assurance Committee created an attestation form that registers the preceptor for the tax credit program upon completion (Addendum 1). To track precepted clinical teaching, the Preceptor Credit Assurance Committee academic and fellowship partners enter confirmed preceptor hours into the Preceptor Tax Credit database. Tax credits are allocated annually in the January following the tax year for individuals who are registered, have met the tax credit criteria, and have met minimum thresholds for tax credits up to five credits.

Findings

Total Allocations

The 2022 Tax Year included the greatest tax credits issued to registered and qualified providers to date. In 2022, 645 tax credits were issued to 301 providers. These data show a percentage increase of 10% for tax credits awarded in 2021 and a percentage increase of 74% compared to the baseline year of 2019. In 2022, 120 additional preceptors (66% change) received tax credits as compared to 2019 (Table 1).

Table 1 Tax credit distribution by number of preceptors and number of tax credits over time

Year	2019	2020	2021	2022
Preceptors	181	190	261	301
Tax Credits Awarded	371	378	587	645

Note: Changes to value may appear when compared to previous annual reports due to additional allocations issued after the finalization of the annual report in prior years.

Physicians (DOs and MDs) remain the largest population of tax credit recipients, with just under 80% of the total distribution of tax credits allocated to this professional group. APRNs are the second most represented professional group with 18% of tax credits allocated in 2022, the greatest proportion received by APRNs to date. Pharmacists (PH) represent the smallest proportion of tax credit earnings.

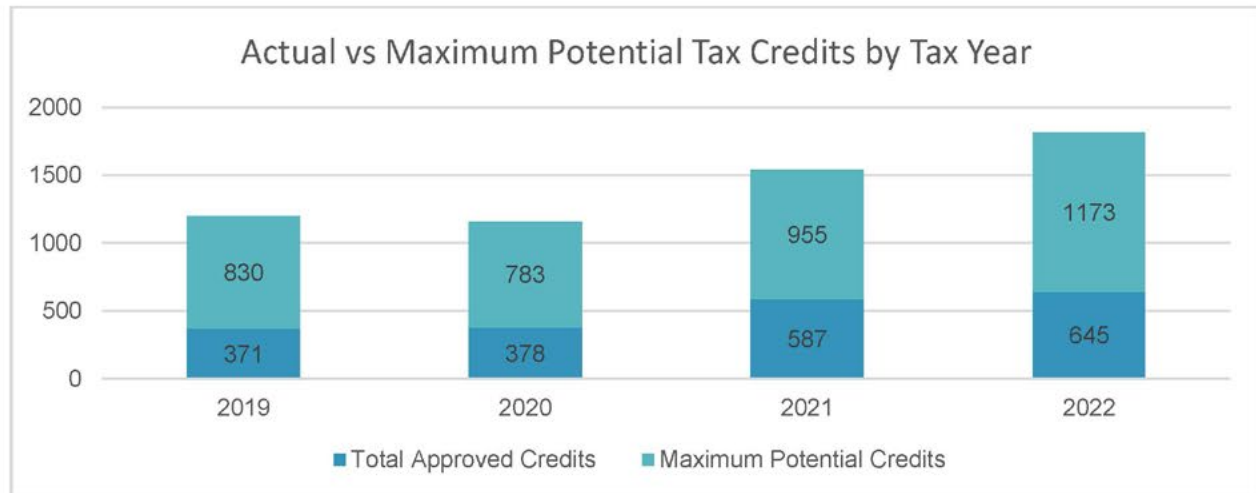
Table 2 Tax Credits by Provider Type with cost and percent allocation breakdown

License Type	Tax Year	Eligible Rotations	Total Credit	% of annual total
APRN				
	2019	61	\$61,000.00	16%
	2020	62	\$62,000.00	16%
	2021	75	\$75,000.00	13%
	2022	116	\$116,000.00	18%
DOS				
	2019	13	\$13,000.00	4%
	2020	15	\$15,000.00	4%
	2021	30	\$30,000.00	5%
	2022	43	\$43,000.00	7%
MD				
	2019	277	\$277,000.00	75%
	2020	270	\$270,000.00	71%
	2021	462	\$462,000.00	79%
	2022	455	\$455,000.00	71%
PH				
	2019	20	\$20,000.00	5%
	2020	31	\$31,000.00	8%
	2021	20	\$20,000.00	3%
	2022	31	\$31,000.00	5%

Since 2019, both the number of all preceptor rotations entered in the database (maximum potential tax credits) and the number of preceptor rotations that are eligible for tax credits have grown (actual tax credits). In 2022, 55% of the all entered rotations were eligible for tax credits. Annually, between 39% and 55% of all of the preceptor rotations entered (maximum potential tax credits) are not eligible for tax credits (Figure 1). Limitations in issuing tax credit were previously described in the 2021 annual report and continue to be relevant. These limitations include registration status of the provider, not teaching enough hours to meet the threshold of 80 hours per tax credit, receiving compensation from employer, and practicing in a specialty other than primary care. One significant barrier appears to have decreased. The program appears to have come out of the depressed state of precepting activities because of the

COVID pandemic. There were significant increases in maximum potential tax credits and actual issued tax credits for the 2022 tax year.

Figure 1 Actual vs. Maximum Tax Credits by Tax Year



Note: "Maximum potential" tax credits is the total recorded precepted hours divided by 80 hours.

Preceptor Engagement

Registered Providers

In 2022, the program continued to have increases in providers who have registered as preceptors, recorded precepting activities, and have qualifying activities for tax credits. Despite the huge setbacks experienced by healthcare education due to COVID-19 that impacted the 2020 and 2021 tax years, engagement in the precepting of health care students has grown. Since the beginning of the program in 2019, the number of providers who have registered as preceptors has nearly doubled with over 730 providers who have registered to become "active" in the preceptor tax credit program and 361 additional preceptors who registered after the baseline year of 2019 (96% change) (Table 3).

Table 3 Registered Preceptors over time

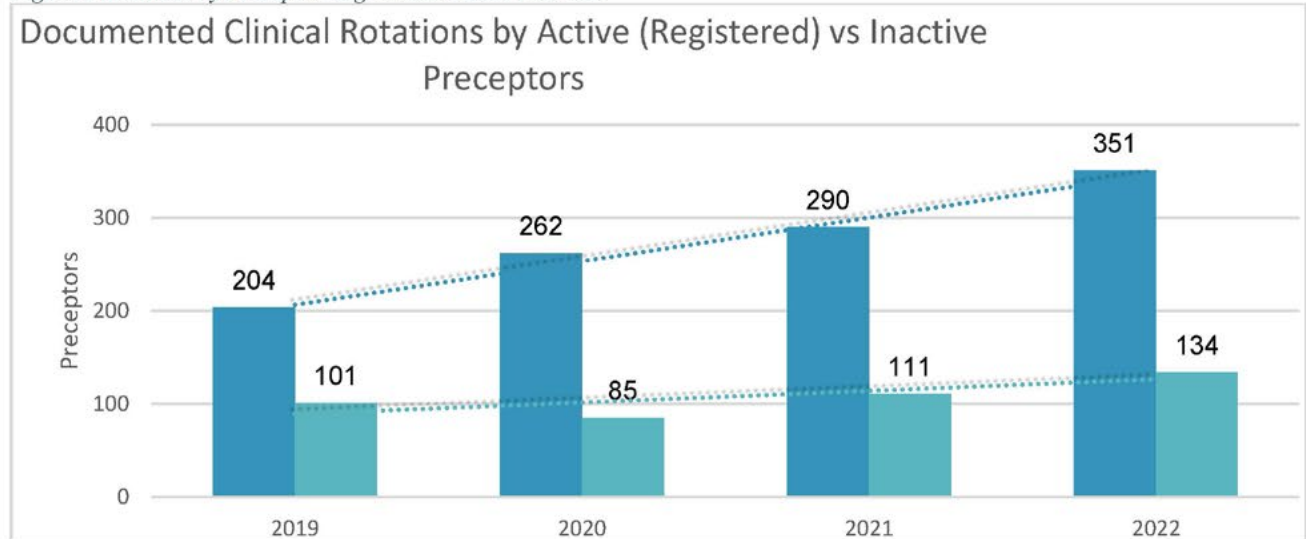
	2019	2020	2021	2022
Active Preceptors - Total	375	503	626	736
Percent Change		34%	24%	18%
Percent change from 2019				96%
Subset of Active Preceptors - Total				
Active Preceptors with Rotations	204	262	290	351
% Preceptors Engage in Precepting	54%	52%	46%	48%
Percent change from 2019				72%

Providers Engaging in Preceptor Activities

From 2019 to 2022, there was an additional 147 registered providers who taught at least one rotation (72% change), regardless of total time spent teaching (Table 3. When projected to the future, there is a trend of continued growth in providers who participate as preceptors for clinical rotations (Figure 2).

This program continues to show that the Preceptor Tax Credit program is successful in growing the number of preceptors interested in and actually completing clinical education for advanced practice registered nurse, physician, and pharmacy students.

Figure 2 Rotations by Preceptor Registration Status over time



Limitations to Provider Registration

The state law requires that the Preceptor Credit Assurance Committee must verify that the taxpayer meets the requirements to serve as a preceptor. To secure this information, the Preceptor Credit Assurance Committee established that tax credits may be provided only to eligible providers who have registered, thereby attesting to certain information required in state law to engage in this state benefit.

There continues to be providers who are still unaware of the preceptor tax credit program and therefore have not registered. The Preceptor Credit Assurance Committee’s participating academic institutions and residency/fellowship institutions continue to report clinical rotations for providers who are providing clinical precepting rotations without registering for this program. Multiple times throughout the year, the Preceptor Credit Assurance Committee representatives communicate to providers who are reported as precepting but not registered for this program, which positively yields new engagement in the program, as evidenced by growth in the number of active preceptors (Figure 2). The Committee continues to reach out to providers who have an inactive status with the aims of growing the preceptor base of providers who are eligible and receiving benefits of this tax credit program.

In addition, another reason is that some providers who engage in clinical precepting are ineligible for the tax credit due to restrictions in the state law. Many of these providers have informally reported to the Preceptor Credit Assurance Committee that they have declined to register for the program because they are ineligible for the tax credits.

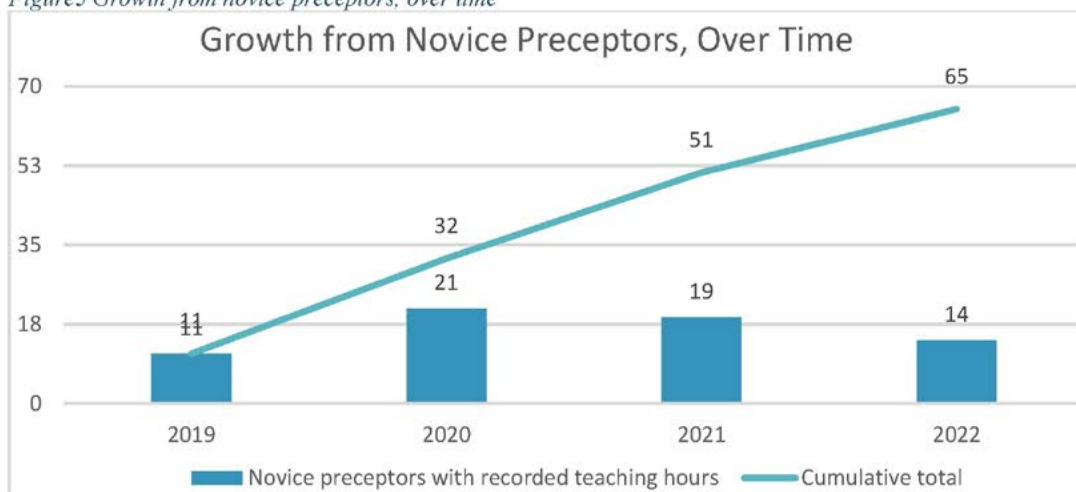
New Preceptors

Since 2019, 181 providers have registered for the program who have indicated that they have not engaged in clinical precepting prior to registering. Over time, 65 of these preceptors initiated clinical precepting activities and 57 taught enough to earn Preceptor Tax Credits (Table 4). While the number of preceptors who report both having never precepted before and who completed teaching clinical rotations is relatively stable from year to year, the overall growth is remarkable. **The Preceptor Tax Credit program is successful in engaging providers who have never precepted into both teaching and teaching at high enough volume to earn tax credits.**

Table 4 Providers who reported being new to precepting who subsequently completed training activities

Year	2019	2020	2021	20212
Preceptors with no history or record of precepting	74	53	34	20
<i>Cumulative total</i>	74	127	161	181
<i>Percent Change</i>		42%	54%	59%
Novice preceptors with recorded teaching hours	11	21	19	14
<i>Cumulative total</i>	11	32	51	65
<i>Percent Change</i>		66%	78%	83%
Novice preceptors experience who received tax credit	9	18	17	13
<i>Cumulative total</i>	9	27	44	57
<i>Percent Change</i>		67%	80%	84%

Figure 3 Growth from novice preceptors, over time



Tax Credit Distribution

Many preceptors taught well over the maximum hours for tax credit eligibility. Act 43, SLH 2018 created a maximum of five tax credits, which is equivalent to \$5,000. Upon meeting all other eligibility requirements, the number of tax credits awarded to an eligible preceptor are determined by dividing the total hours taught by 80 hours (assuming that at least 5 students were precepted during the year). In 2022, the majority of preceptor tax credits (58%) were certified to preceptors who taught between 80 and 319 hours (1-3 credits); this is similar to 2021 (57%). In 2022, 11% of total preceptors, regardless of registration for tax credits, taught 400 or more hours (5 credits).

Table 5 Cumulative hours taught by preceptor, regardless of registration status

Tax Credit Equivalent	Cumulative Hours Taught by Preceptor	Number of Preceptors	Percent of total
5	Over 1000 hours	15	3%
5	800-899 hours	2	0%
5	700-799 hours	4	1%
5	600-699 hours	3	1%
5	500-599 hours	5	1%
5	400-499 hours	22	5%
4	320-399 hours	33	7%
3	240-319 hours	47	10%
2	160-239 hours	83	17%
1	80-159 hours	152	31%
0	Below 80 hours	119	25%
Total		485	100%

Barriers to Preceptor Eligibility

Each year, the Preceptor Credit Assurance Committee provides a letter to providers related to their eligibility. This communication supplements the tax form issued by the Department of Health. The reasons provided to providers for tax credit ineligibility include:

- No clinical rotations are on record for the preceptor during the tax year.
- The clinical rotations were disqualified due to compensation for precepting activities.
- The preceptor did not register for Preceptor Tax Credit.
- The preceptor did not register for Preceptor Tax Credit and Specialty is not eligible per Act 43 SH 2018.
- The preceptor did not register for Preceptor Tax Credit and license type is not eligible per Act 43 SH 2018

- The specialty reported by the provider on the attestation is not primary care. Specialty is not eligible per Act 43 SH 2018.
- License type is not eligible per Act 43 SH 2018
- The total clinical rotation hours did not accumulate to minimum threshold of 80 hours.
- Received credits per Preceptor Credit Criteria
- Total eligible clinical rotations or rotation hours exceeded allowable maximum tax credits. Total allowable tax credits of a maximum of 5 were awarded.

The Preceptor Credit Assurance Committee engaged in process improvement and root cause analysis to determine the source of the above listed barriers, and also to impact change, when possible. A detailed narrative of the barriers and solutions are listed as follows for the most common barriers:

Preceptor did not register

The Preceptor Credit Assurance Committee Academic Subcommittee enters preceptor rotations throughout the calendar year. Three times each year (May, September, December), the Administrative Subcommittee validates the data by verifying each new preceptor through reviewing the Department of Commerce and Consumer Affairs Professional and Vocational Licensing Divisions' license database. The Administrative Subcommittee also sends each academic program a list of all of the program's recorded rotations to date for the current calendar year, a list of all inactive (un-registered) preceptors attributed to rotations for that program, and a list of registered preceptors with no clinical rotations on record for that calendar year, along with template letters to encourage inactive (unregistered) preceptors to register. The Academic Subcommittee is encouraged to communicate with inactive preceptors and provide information on how to become active (registered).

In 2022 for the first time, the Administrative Subcommittee sent a "predetermination letter" to all active preceptors with information relating to the number of recorded precepted clinical rotations, their recorded specialty, a determination of potential eligibility using the list above for reasons, and an estimate of tax credits the preceptor may be eligible for. This letter decreased correction requests after the tax credits were issued, indicating this additional communication was a successful effort.

Compensated for teaching

The Preceptor Credit Assurance Committee Academic Subcommittee reports to the Administrative Subcommittee whether preceptor sites require compensation for teaching activities. These sites are manually updated on an annual basis to document whether a preceptor receives compensation for precepted clinical rotations, which would then disqualify the preceptor from earning a tax credit. Communication is widely available to providers that the tax credit is for "uncompensated" clinical rotations upon registration along with information on the Preceptor Tax Credit website, and received by individual preceptors in the pre-determination and determination letters.

Some providers have communicated concern and fear about receiving tax credits for precepting clinical rotations (a voluntary activity) while at their place of compensated employment (self- or otherwise). The Preceptor Credit Assurance Committee has provided documentation and a self-assessment quiz on the website to clarify that only compensation for precepting is considered in regard to eligibility for the tax credit. In addition, the Preceptor Credit Assurance Committee has worked with the legislature to update and improve the language that appears in statute to clarify this common misconception.

- 2020

- SB31 - Bill died after crossover in the second committee of the House due to COVID Pandemic.
- 2021
 - HB306 - Bill died after crossover
 - SB976 - Bill assigned to one committee after crossover, died due to federal American Rescue Plan Act (ARPA) which prohibited tax relief expansion in order to receive federal support
- 2022
 - HB1975 - Bill died in House Finance in preference to the Senate version that moved forward earlier.
 - SB3208 - Bill died after crossover.
- 2023
 - SB1215 - Bill died after crossover in House Finance
 - SB439
 - HB82 - Contents of HB1450
 - HB1450 - HB82 used as vehicle in the House.

Clinical rotations are less than the minimum

The Preceptor Credit Assurance Committee Academic Subcommittee records rotations by the hours, date range, and student. If the total hours do not equal 80 hours across all rotations, the preceptor does not qualify for the minimum tax credit value. Communication is provided to the preceptor that the tax credit requires a minimum of 80 hours on the Preceptor Tax Credit website and in the pre-determination and determination letters.

Clinical rotations are more than the maximum

The Preceptor Credit Assurance Committee Academic Subcommittee records rotations by the hours, date range, and student. If the total hours exceed 400 hours across all rotations, the preceptor does not qualify for any value above the maximum allowable tax credit value (five tax credits with a value of \$5,000). Communication is provided to the provider that the tax credit maximum is five credits on the Preceptor Tax Credit website and in the pre-determination and determination letters.

License type is not eligible per Act 43 SH 2018

The Preceptor Credit Assurance Committee worked with academic programs for registered dietitians, physician assistants, and social work to determine that their programs meet the same criteria as the presently included professions.

1. Academic program has physical presence in Hawai'i
2. Academic program holds national accreditation in program area
3. Education is at the graduate level
4. Providers hold a license to practice in Hawai'i
5. Clinical rotations are part of the academic requirements for graduation.

Upon verifying that these professions met the eligibility criteria, the Preceptor Credit Assurance Committee drafted proposed legislation to amend the Tax Credit statutes to include these professions. The bills introduced in 2023 included the proposal to add in registered dietitians, social work, and physician assistants. The bill was not enacted.



Specialty Ineligible

The leading reason for ineligibility is the number of providers who work in a specialty other than primary care who also engage as preceptors. Though many specialties train future primary care providers, they currently do not qualify for the tax credit. In 2022, 75% of the rotations recorded in the preceptor tax credit database were identified to be provided by a “primary care provider”. An additional 25% of the preceptors were identified as specialty providers (Table 6). The total hours recorded under specialties that are ineligible (23,228) would result in approximately 290 additional tax credits (\$290,000). In total, with the tax credits issued for 2022, the maximum tax credit potential for 2022 would have been 935 tax credits (645 issued tax credits and 290 potential tax credits attributed to ineligible specialty providers). This total remains below the total allowable tax credits of 1,500 (\$1,500,000) per tax year. Bills introduced in 2020 through 2023 all aimed to address this barrier by recognizing precepted clinical rotations by any specialty that trains future primary care providers. These efforts have been unsuccessful.

Table 6 Rotation Counts and Rotation Hours by Specialty

Specialty	Count of Rotations	Sum of Rotation Hours	Percent of Total Hours	Primary Care or Specialty
Ambulatory Care	2	480	0.51%	Primary Care
Behavioral Health	12	766	0.82%	Specialty
Cardiology	8	471	0.50%	Specialty
Clinical Pharmacy	0	0	0.00%	Primary Care
Community Pharmacy	10	2080	2.22%	Primary Care
Critical Care	0	0	0.00%	Specialty
Emergency Medicine	309	1081	1.15%	Specialty
Endocrinology/Diabetes	7	1044	1.11%	Specialty
Family	955	22734	24.22%	Primary Care
Gastroenterology	3	26	0.03%	Specialty
General Medicine	7	725	0.77%	Primary Care
Gerontology	311	11526	12.28%	Primary Care
Home Infusion	1	240	0.26%	Primary Care
Infectious Disease	0	0	0.00%	Specialty
Internal Medicine	492	16893	18.00%	Primary Care
Multiple Specialties	8	780	0.83%	Specialty
Nephrology	14	1681	1.79%	Specialty
OB/GYN/Women's Health	51	4088	4.36%	Primary Care
Oncology/Hematology	4	391	0.42%	Specialty
Orthopedics	2	128	0.14%	Specialty
Osteopathic Manipulative Medicine	4	246	0.26%	Primary Care
Palliative Medicine/Hospice	54	1567	1.67%	Primary Care
Pediatrics	87	6135	6.54%	Primary Care
Primary Care	30	2019	2.15%	Primary Care
Pulmonology	1	80	0.09%	Specialty
Retail Pharmacy	2	480	0.51%	Primary Care

Rheumatology	2	320	0.34%	Specialty
Specialty Pharmacy	4	960	1.02%	Specialty
Sports Medicine	29	1047	1.12%	Primary Care
Undisclosed	453	15500	16.52%	Specialty
Urgent Care	2	366	0.39%	Primary Care
GRAND TOTAL	2864	93854	100.00%	
Specialties, Combined	827	23228	25%	
Primary Care, Combined	2037	70626	75%	

Note: specialties in bold are “specialty” for the purposes of the tax credit program

Recommandations

The Preceptor Tax Credit Program continues to grow the number of providers registered, the number of providers engaging in clinical teaching rotations, and the number of providers receiving tax credits. However, the providers continue to be turned away from earning tax credits despite their voluntary engagement as a clinical preceptor. This will resolve the ineligibility of the nearly 25% of providers currently registered and enable the tax credit program to more fully expend the tax credits as allocated in 2018. Recommendations to improve distribution of tax credits to providers include:

- Remove the primary care provider criteria. This program has demonstrated that it can successfully grow clinical rotation engagement. However, primary care is not the only needed healthcare role in this state. This program should be made accessible to any MD, DO, APRN, or PH that is engaged in clinical teaching in this state. Specifically amendments should be made to the definition of “nationally accredited” and “preceptor” to remove “primary care”.
- Improve the clarity of “compensation”. Bills introduced in 2020, 2021, 2022, and 2023 sought to clarify compensation. Many preceptors communicate concern that their paid role as a physician, advance practice registered nurse, or pharmacist makes them ineligible. Rather “uncompensated” is meant to mean receiving payment directly for teaching that is above and beyond their base earnings. Improving the language to clarify the intent will improve ease of and confidence in engaging in this program by providers.

Hawai‘i continues to have dire access to healthcare shortages that impact access to care. Challenges and events since 2020, including the COVID-19 pandemic and provider deaths and departures have made even critical access to healthcare further from reach, particularly in remote and rural islands. Expanding Preceptor Tax Credit to additional professions will extend the benefits of this program to other health care professions. Professions that meet eligibility criteria, including having an in-state program, pre-licensure education, licensed healthcare professionals, and preceptor (one on one) education include:

- Registered Nursing



- Registered Dietician
- Physician Assistant
- Social Work
- Licensed Clinical Psychology
- Marriage and Family Therapy
- Physical Therapy (program in development)

While not all of these programs have demonstrated interest in engaging in the program, all have workforce shortages in our state. Adding all of these professions would likely exceed the tax credits allocated, however there remains to be funds remaining in the tax credit program, and need to support ongoing clinical education access.

Reinforce administrative support. This program is in the Department of Health but has no specific representation by the Department of Health. Bills introduced in 2020, 2021, 2022, and 2023 sought to clarify representation by a Department of Health representative. In addition, this program requires significant information technology (IT) and administrative support, both by the Hawai'i State Center for Nursing, the University of Hawaii John A Burns School of Medicine Area Health Education Center (AHEC) staff, as well as by each of the participating academic institutions. Should there be expansion of academic programs/health care professions, a dedicated administrative officer will be needed to maintain the program management.

Conclusion

The Preceptor Tax Credit program, overseen by the Preceptor Credit Assurance Committee which is a committee of the Department of Health is successfully meeting the aims established by Act 43, SLH 2018. This program awarded \$645,000 tax credits in 2022, with a cumulative \$1,981,000 tax credits issued to Hawaii's eligible health care providers since 2019.

Between 2019 and 2022, there was a 72% increase in registered providers who taught at least one rotation, regardless of total time spent teaching. Despite this, in 2022, only 55% of the maximum potential tax credits were awarded. The Preceptor Tax Credit program is successful in growing the number of providers registering in the preceptor tax credit program, as well as completing clinical education for advanced practice registered nurses, physicians, and pharmacists. In addition, the Preceptor Tax Credit program may be improved by removing the primary care requirement, adding additional professions, and bolstering the administrative design to ensure continued success.

Addendum E1: Quality Assurance And Fraud Prevention Response and Process

Addendum 1

Quality Assurance and Fraud Prevention Process

How Does the Preceptor Credit Assurance Committee reduce fraud?

Verification that preceptor was uncompensated.

- Attestation from Preceptor (see 1.a. 1.)
- Attestation from Academic Program/Residency/Fellowship that they preceptor was not compensated.

Verification that the preceptor is licensed in Hawai'i.

- DCCA license verification (see 1.a.2.)
- Preceptor Credit Assurance Committee collect preceptor address (1.a.1) and clinical rotation location (1.c.1)

Verification that the student was enrolled in an academic program.

- Preceptor Credit Assurance Committee only accept rotation data from the academic program, not the student or the preceptor.

Verification that the tax form is official.

- DoTax issues a new form each year.
- Preceptor Credit Assurance Committee uses this form to fill tax information.
- DoTax requires a form signed by the Director of the Department of Health.
- Tax filers must submit accurate form (in the correct year) signed by DOH Director.
- Preceptor Credit Assurance Committee sends a full list of names and tax credit amounts to the DoTax for double verification.

Why a tax credit instead of a payment?

In 2018, Hawai'i adopted and improved a model established in three states, Georgia, Maryland and Colorado for preceptor individual income tax credits. The Hawai'i is improved in it's approach as this model is highly interprofessional, recognizing the need for team care delivery to address community needs. By addressing the preceptor shortage, we will move our state closer to sustainable interprofessional education and care delivery.

There is also considerable economic benefit provided by the health workforce. A North Carolina economic analysis found that each full time APRN in their state can contribute, minimally, \$273,000 in direct economic output and between \$11,800 and \$22,000 in state and local tax revenue¹. A 2018 American Medical Association economic analysis found that physicians in

¹ Conover, C., & Richards, R. (2015). Economic benefits of less restrictive regulation of advanced practice nurses in North Carolina. *Nursing Outlook*, 63(5), 585–592.



Hawai‘i contribute, on average, \$2.3 million/physician (\$4.4 billion over all physicians) in direct economic output and \$110,494 per physician in state and local tax revenue².

A state investment in the healthcare professions academic pipeline through preceptor income tax-credits will improve state’s healthcare profession educational programs ability to develop and grow future healthcare professionals in this state, close the gap on the shortage of health care professionals, and increase economic revenues statewide. Since 2018, there have been consistent growth in both preceptor engagement overall and providers precepting for the first time. Moreover, in 2018, the UH system stated that by ensuring that the measure is focused will enable the UH to establish innovative efforts to mitigate healthcare workforce pipeline bottlenecks that can be scaled and spread to other health professions once initial success is demonstrated. In 2023, the Preceptor Tax Credit Program finds that it has the capacity to scale this program within the current allotted tax credit amount to benefit additional health professions educational demands.

Detailed Preceptor Validation Process

1. Developing the documentation process for the Preceptor Tax Credit Assurance Committee to certify a preceptor for the tax credit
 - a. Register and validate preceptor.
 - i. Step 1: Collection of Attestation that the Preceptor is uncompensated for teaching (§321-2.7)
 1. Registration online at: <http://preceptortaxcredit.hawaii.edu/>
 - a. Information collected include 321-2.7 a(2)A-B. ⁱ
 - b. Preceptors that attest a primary care specialty are indicated in the processing database (§235-110.25)
 - ii. Step 2: Verify license number with attestation record:
 1. Using the DCCA Professional and Vocational Licensing Division “[Check if a Person or Business is Licensed by PVL](https://mypvl.dcca.hawaii.gov/public-license-search/)” website:
<https://mypvl.dcca.hawaii.gov/public-license-search/>
 - ii. Step 2: Verify license number with attestation record:
 1. Using the DCCA Professional and Vocational Licensing Division “[Check if a Person or Business is Licensed by PVL](https://mypvl.dcca.hawaii.gov/public-license-search/)” website:
<https://mypvl.dcca.hawaii.gov/public-license-search/>
 - b. Verify academic program is eligible (§235-110.25).
 - i. Step 1: Confirm Hawai‘i address for physical location.
 - ii. Step 2. Confirm national accreditation.
 - iii. Step 3. Verify that location of education is in Hawai‘i (confirms residence of training in Hawai‘i).
 - c. Verify the number of hours the taxpayer spent supervising an eligible student in each volunteer-based supervised clinical training rotation (§235-110.25)
 - i. Step 1: Eligible academic program staff (Academic SubCommittee) collect academic information including student engagement information (student name, student profession type, preceptor, preceptor profession, type, location, dates, hours, course title.)
 - ii. Step 2: Academic SubCommittee enter into a preceptor tax credit database dates and hours of volunteer-based supervised clinical training rotation per eligible student (§321-2.7)

² American Medical Association [AMA]. (2018). The economic impact of physicians in Hawaii: State report. Retrieved from <https://www.physicianseconomicimpact.org/pdf/FullStateReports/HI-Study.pdf>.

1. Preceptor Credit Assurance Committee staff send reminders three times annually for the Academic SubCommittee to enter rotations. Upon each deadline, all new preceptors registered (1a) are validated per 1a Step 2.
2. Upon the December data entry (final annual entry), all data is summarized and a pre-determination letter is sent to Preceptors, at which point they are able to validate and correct placements with eligible program staff. Program staff update databases based on corrections identified (using preceptor report, student data, student verification, faculty verification as validation sources).
 - iii. Step 3: Preceptor Credit Assurance Committee staff review each entry for duplicates, incomplete information, student eligibility, and preceptor eligibility.
2. Certify the number of volunteer-based supervised clinical training rotations each taxpayer conducted.
 - a. Preceptor Credit Assurance Committee quantifies eligible tax credits for each preceptor.
 - i. Verifying by eligibility per 1a and 1b. If eligible, then
 1. Quantifying total number of unique eligible student rotations; and
 2. Quantifying total teaching hours.
 - ii. Determining eligible tax credits
 1. <80 hours = no credits
 2. 80 hours and at least 1 eligible rotations = 1 credit
 3. 160 hours and at least 2 eligible rotations = 2 credits
 4. 240 hours and at least 3 eligible rotations = 3 credits
 5. 320 hours and at least 4 eligible rotations = 4 credits
 6. 400 hours and at least 5 eligible rotations = 5 credits
 7. >400 hours ant at least 5 eligible rotations = 5 credits
 - b. Preceptor Credit Assurance Committee votes on file.
 - i. Preceptor credit assurance committee staff designates credits for each preceptors and maintains a determination record as well as complete rotation and registration / attestation records
 - ii. Preceptor Credit Assurance Committee votes on tax credit allocations
 - c. Department of Health certifies tax credits.
 - i. Upon an affirmative vote of the file, pre-filled forms with name, address, and tax credit amounts are sent to DOH
 - ii. DOH signs tax forms and sends them individually to preceptors
 - d. DoTax receives information.
 - i. Preceptor Credit Assurance Committee sends verification record to Department of Taxation for verification.
 - ii. Tax payers submit taxes with form appended
 - iii. DoTax can double verify form to the Preceptor Credit Assurance Committee file.

Hawaii Preceptor Tax Credit Registration Form

Full Name*

Birthdate*

Home Street Address*

Home City*

Home State*

Home Zip/Postal Code*

Personal Email/Preferred Email*

Preferred Phone

HI Professional License Number*

Preceptor Site Details

Preceptor Site Name*

Street Address

City

State

Zip Code

Preceptor Details

Preceptor License Type*

--select an item--MD DO RPh APRN Other

Preceptor Specialty*

I Certify that I maintain a professional "primary care" practice in Hawaii.*

- Yes
- No

--select an item--Yes No

"Primary care" for the purposes of this tax credit means the first contact and principal point of continuing care for patients provided by a healthcare provider, including health promotion, disease prevention, health maintenance, counseling, patient education, diagnosis and treatment of acute and chronic illnesses, and coordination of other specialist care that the patient may need.

I certify that I was uncompensated for the preceptor activity by my employer, academic institution or other entity.*

- Yes
- No

--select an item--Yes No

I certify that my time teaching was voluntary, and not required by my employer.*

- Yes
- No

--select an item--Yes No

Have you precepted students from Hawaii in the past?*

- Yes
- No

--select an item--Yes No

Preferred method to receive tax certification form.*

- Electronic
- Mail

--select an item--Electronic Mail

Signature Authorization

Please enter your name as an authorized signature below:

Authorized Signature*

Addendum F: Program Report 2023

Hawai'i Preceptor Tax Credit Key Findings

The Hawai'i Preceptor Tax Credit began in 2019 through Hawai'i State Legislature support. The latest impact is described below.

- Tax credits distribution has increased significantly since 2019. In 2019, 181 preceptors received 371 tax credits; whereas 310 preceptors received 676 tax credits in 2023, an increase by 120 preceptors. The tax credit allocation equates to \$676,000 of tax credits for 2023.

Year	2019	2020	2021	2022	2023
Preceptors	181	190	261	301	371
Tax Credits Awarded	371	378	587	645	676

- In 2023, 53% of the maximum potential tax credits were awarded. The recorded clinical rotations that did not lead to a tax credit were provided by preceptors who had not registered, who reported compensation for precepting, whose specialty was not in primary care, or who did not train students for the minimum number of hours to become eligible (80 hours). These limitations to the program persist.
- Provider registration into the tax credit program increased by 132% from 2019 to 2023. By the end of 2023, there were 871 active preceptors registered.

Figure 1: Changes from 2019 to 2023





- The program continues to gain new preceptors and increasingly engage existing preceptors in clinical teaching activities.
 - o Between 2019 and 2023, there was a 77% increase in active (registered) providers who taught at least one rotation, regardless of total time spent teaching.
 - o From 2019 to 2023, the program gained 84 providers who had never engaged in precepting in the past and who completed some level of clinical rotation education in the calendar year. The Preceptor Tax Credit program is successful in growing the number of providers registering in the program, as well as completing clinical education for advanced practice registered nurses, physicians, and pharmacists.
 - o In 2023, 19 providers receiving tax credit were new to precepting when they registered for the Preceptor Tax Credit program. As a subset of the 84 new preceptors, cumulatively over four years, 76 providers had no background in precepting in Hawai'i and taught enough to earn tax credits.
- This program awarded \$676,000 tax credits in 2023, with a cumulative \$2,657,000 tax credits issued to Hawai'i's eligible health care providers since 2019.



Background

The Tax Year 2023 marks the 5th implementation year of the Healthcare Preceptor Tax Credit program. In 2018, the Legislature passed Act 43, SLH 2018, which established preceptor tax credits for providers, defined as advanced practice registered nurses (APRNs), physicians (Medical Doctors, MD, and Doctors of Osteopathy, DOS) and registered pharmacists (PHs) who provide clinical teaching opportunities, “precepting”, for in-state APRN, MD, DOS, and PH students. Each Tax Year, 1,500 tax credits valued at \$1,000 each are distributed with a maximum of five credits (\$5,000) per eligible individual. Tax credits are allocated annually in the January following the tax year for individuals who are active (self-registered and completed attestation), have met the tax credit criteria, and have met minimum thresholds for up to five credits. The method for verification of preceptors and allocation of tax credits is described at length in the 2022 annual report.

Findings

Total Allocations

The 2023 Tax Year sustained continued growth in both the number of preceptors receiving tax credits and the number of tax credits issued. In 2023, 676 tax credits were issued to 310 providers. These data show the most modest year over year percentage change, at 3% growth over 2022 for preceptors, and 5% growth over 2022 for tax credits awarded (Table 1). This indicates that we are both gaining preceptors and that current preceptors are training more students.

Table 1 Tax credit distribution by number of preceptors and number of tax credits over time

Year	2019	2020	2021	2022	2023
Preceptors	181	190	261	301	310
Tax Credits Awarded	371	378	587	645	676

Note: Changes to value may appear when compared to previous annual reports due to additional allocations issued after the finalization of the annual report in prior years.

Physicians (DOs and MDs) remain the largest population of tax credit recipients, with 71% of the total distribution of tax credits allocated to this professional group. APRNs are the second most represented professional group with 23% of the total distribution of tax credits. This is a sizeable increase in distribution for APRNs, which only accounted for 18% of tax credits allocated in 2022. Pharmacists (PH) represent the smallest proportion of tax credit earnings at 6% in 2023 (previously between 3% and 8%).

Table 2 Tax Credits by Provider Type with cost and percent allocation breakdown

License Type	Tax Year	Eligible Rotations	Total Credit	% of total/year
APRN				
	2019	61	\$61,000.00	16%
	2020	62	\$62,000.00	16%
	2021	75	\$75,000.00	13%
	2022	116	\$116,000.00	18%
	2023	155	\$155,000.00	23%
DOS				
	2019	13	\$13,000.00	4%
	2020	15	\$15,000.00	4%
	2021	30	\$30,000.00	5%
	2022	43	\$43,000.00	7%
	2023	40	\$40,000.00	6%
MD				
	2019	277	\$277,000.00	75%
	2020	270	\$270,000.00	71%
	2021	462	\$462,000.00	79%
	2022	455	\$455,000.00	71%
	2023	440	\$440,000.00	65%
PH				
	2019	20	\$20,000.00	5%
	2020	31	\$31,000.00	8%
	2021	20	\$20,000.00	3%
	2022	31	\$31,000.00	5%
	2023	40	\$40,000.00	6%

Continually since the inaugural year of the tax credit program, the number of all preceptor rotations entered in the database (maximum potential tax credits) and the number of preceptor rotations that are eligible for tax credits have grown (actual tax credits). In 2023, 53% of all entered rotations were eligible for tax credits; this is slightly below the median 54% over time (Figure 1). Limitations in issuing tax credit were previously described in the 2021 annual report and continue to be relevant. These limitations include: 1) registration status of the provider; 2) not teaching enough hours to meet the threshold of 80 hours per tax credit; 3) receiving compensation from employer; and 4) practicing in a specialty other than primary care. Significantly, for the second year, the program appears to have come out of the depressed state of precepting activities that existed during the COVID pandemic. There were significant increases in the number of preceptors teaching clinical rotations that earned them the minimum of one credit, as well as the maximum of five credits for the 2022 and 2023 tax years (Table 3).

Figure 1 Actual vs. Maximum Tax Credits by Tax Year



Note: "Maximum potential" tax credits is the total recorded precepted hours divided by 80 hours.

Table 3 Tax Credits Issued by Number of Rotations, By Year

Tax Credits Issued by Number of Rotations	2019	2020	2021	2022	2023
5 credit (400 or more hours)	65	85	85	150	286
4 credits (320-399 hours)	56	48	100	84	58
3 credits (240-319 hours)	66	48	108	120	75
2 credits (160-239 hours)	104	94	182	150	137
1 credit (80-159 hours)	80	93	84	132	120
0 credits (below 80 hours)	459	405	368	528	549

Preceptor Engagement

Active (Registered) Providers

Since the inception of the program, active preceptors, which are APRNs, MDs, DOs, and PharmDs who have registered into the tax credit verification system, have continued to grow. In 2023, there was an 18% gain over 2022 of active preceptors, resulting in a cumulative 132% growth of preceptors over year one. In addition, the active preceptors who engage in actual teaching time similarly continues to grow. **In 2023, there was a 77% increase in active preceptors with documented clinical rotations as compared to 2019 (Table 4).**

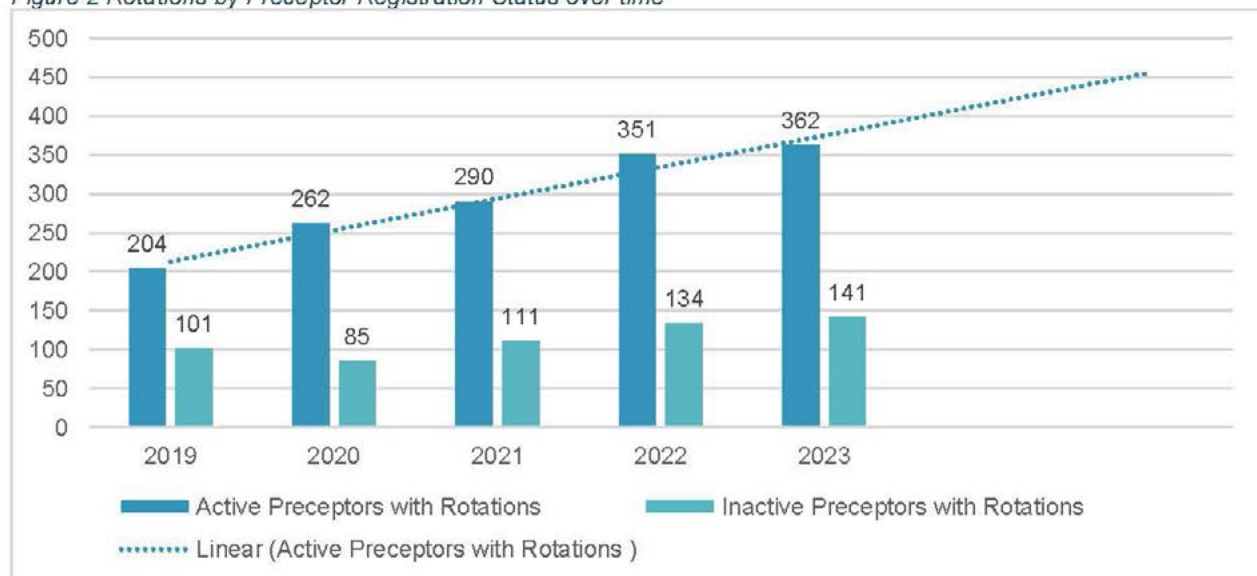
Table 4 Active Preceptors over time

	2019	2020	2021	2022	2023
Active Preceptors	375	503	626	736	871
% Change from Baseline					132%
Active Preceptors with Rotations	204	262	290	351	362
% Change from Baseline					77%

Providers Engaging in Preceptor Activities

From 2019 to 2023, the 77% increase in preceptors represents an additional 158 active (registered) providers who taught at least one rotation regardless of total time spent teaching (Table 4). When projected to the future, there is a trend of continued growth in preceptors (Figure 2). **This program continues to show that the Preceptor Tax Credit program is successful in growing the number of preceptors interested in and actually completing clinical education for advanced practice registered nurse, physician, and pharmacy students.**

Figure 2 Rotations by Preceptor Registration Status over time



Limitations to Provider Registration

The state law requires that the Preceptor Credit Assurance Committee must verify that the taxpayer meets the requirements to serve as a preceptor. To secure this information, the Preceptor Credit Assurance Committee established that tax credits may be provided only to eligible providers who have registered, thereby attesting to certain information required in state law to engage in this state benefit and that the students must be enrolled in a Hawai'i based education program, medical residency, or fellowship. A third barrier is that providers may precept, but their specialty is not in primary care. Many of these providers who either teach for out-of-state schools or whose specialties do not qualify have reported to the Preceptor Credit Assurance Committee that they have declined to register for the program because they are ineligible for the tax credits. This creates an environment in which **the Preceptor Tax Credit program and rotation database underrepresents the total clinical education environment in our state.** Should the tax credit program be amended to remove some or all of the limitations described, it is likely that the preceptor tax credit program would be able to be more reflective of the total clinical education environment, certify more tax credits, and positively impact more healthcare professionals who are engaging in clinical precepting in this state. This would involve allowing all clinicians who train Hawai'i students in caring for the Hawai'i population to benefit from the program and would likely increase teaching capacity as much as double.

New Preceptors

Since 2019, 200 providers have registered for the program who have indicated that they have not engaged in clinical precepting prior to registering. Over time, 85 of these preceptors initiated clinical precepting activities and 76 taught enough to earn Preceptor Tax Credits (Table 5).

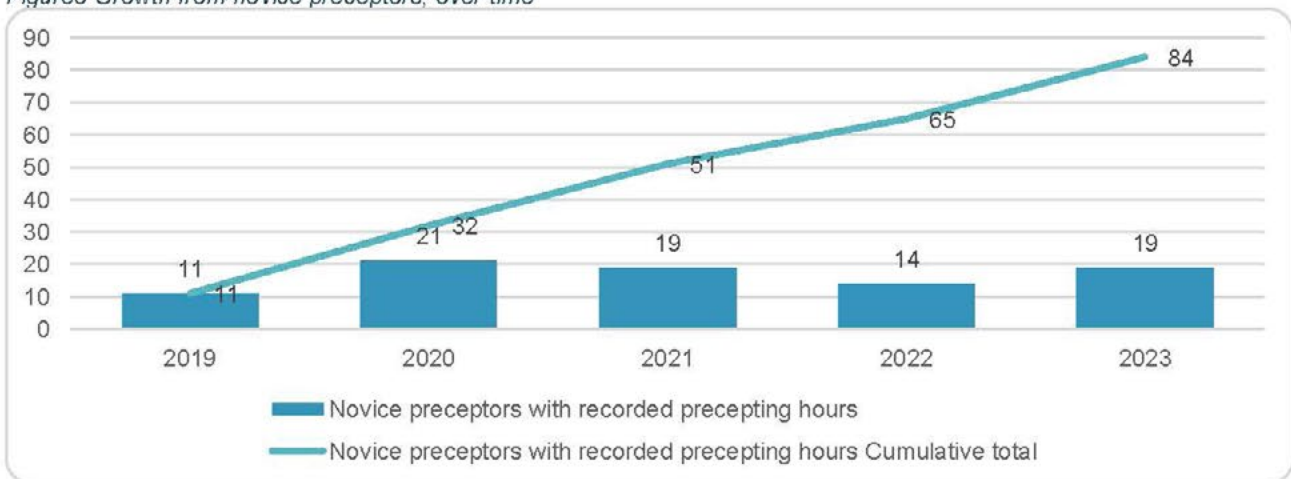
Notably, 2023 was the first year in which all 19 preceptors who reported no history of precepting yielded enough recorded hours to culminate in receiving tax credits. This may represent the fact that program elements are well enough known so that there is less confusion about registration.

While the number of preceptors who report both having never precepted before and who completed teaching clinical rotations is relatively stable from year to year, the overall growth is remarkable. Since the start of the program, there is a growth of 200 providers (170%) who indicated that before registering for the tax credit program, they had not engaged in clinical teaching. It is important to note that interest does not always result in action. Regarding this point, 84 providers recorded hours and 76 of those taught enough to receive tax credits (Figure 3). **The Preceptor Tax Credit program is successful in engaging providers who have never precepted into both teaching (84) and teaching at high enough volume to earn tax credits (76).**

Table 5 Providers who reported being new to precepting who subsequently completed training activities.

Year	2019	2020	2021	2022	2023
Preceptors with no history or record of precepting	74	53	34	20	19
<i>Cumulative total</i>	74	127	161	181	200
<i>Cumulative percent change</i>		72%	118%	145%	170%
Novice preceptors with recorded precepting hours	11	21	19	14	19
<i>Cumulative total</i>	11	32	51	65	84
<i>Cumulative percent change</i>		191%	364%	491%	664%
Novice preceptors experience who received tax credit	9	18	17	13	19
<i>Cumulative total</i>	9	27	44	57	76
<i>Cumulative percent change</i>		200%	389%	533%	744%

Figure 3 Growth from novice preceptors, over time



Tax Credit Distribution

Many preceptors taught well over the maximum hours for tax credit eligibility. Act 43, SLH 2018 created a maximum of five tax credits, which is equivalent to \$5,000. Most individuals (65%), taught between 80 and 239 hours, qualifying them for 1 to 2 tax credits. In 2023, one fifth (20%) of the individual recipients received 5 tax credits, far more than the 11% distribution in 2022. Therefore, not only are there more preceptors, but they teach more students and for longer.

Table 6 Cumulative hours taught number of preceptors (active and inactive)

Tax Credit Equivalent	Cumulative Hours Taught by Preceptor	Number of Rotations	Percent of total Rotations	Percent of Tax Credit allocation
5	Over 1000 hours	7	1%	2%
5	800-899 hours	6	1%	2%
5	700-799 hours	4	0%	1%
5	600-699 hours	12	1%	3%
5	500-599 hours	11	1%	3%
5	400-499 hours	33	3%	9%
4	320-399 hours	19	2%	5%
3	240-319 hours	40	3%	11%
2	160-239 hours	90	8%	25%
1	80-159 hours	145	12%	40%
0	Below 80 hours	809	69%	0
Total		1176	100%	100%

Barriers to Preceptor Eligibility

Barriers to preceptor eligibility is described in detail in the 2022 annual program summary. Multiple barriers may impede a provider from becoming eligible for a tax credit. For instance, the same person may both teach too few hours to earn a tax credit and be inactive (not self-registered and attested) or teach too few hours and have a specialty that is not primary care.

Fewer Hours than the 80-hour minimum

The leading reason for ineligibility is precepting for less than 80 cumulative hours in a calendar year. Over 800 preceptors taught for shorter periods of time than 80 hours. In 2023, this equated to 69% of the total preceptors having fewer than the 80-hour minimum threshold recorded (Table 6). Of those who taught below 80-hours, 138 preceptors (17%) have some recorded teaching and 671 preceptors (83%) had no recorded teaching hours.

Specialty Ineligible

The second leading reason for ineligibility is the number of providers who work in a specialty other than primary care who also engage as preceptors. Though many specialties train future primary care providers, they currently do not qualify for the tax credit. In 2023, 90% of the rotations recorded in the preceptor tax credit database were identified to be provided by a “primary care provider”. Of the remaining 10%, nearly a third were identified as specialty providers and 7% were unknown as they did not self-register and attest (Table 7). Their

recorded 3,048 hours are therefore ineligible for tax credits. These hours, associated with specialist preceptors or unknown specialty preceptors, resulted in a maximum potential of 38 additional tax credits (Table 8).

Impact of 80 hour minimum and Specialty

In total, there were 82,121 hours recorded for all active preceptors, regardless of specialty and minimum hour threshold for credit eligibility. These hours equate to 1,026 maximum potential tax credits, or 676 issued tax credits and 350 potential tax credits attributed to ineligible specialty providers or to providers which taught too few hours (Table 8). This total remains below the total allowable tax credits of 1,500 (\$1,500,000) per tax year by 68%. Bills introduced in 2020 through 2024 all aimed to address this barrier by recognizing precepted clinical rotations by any specialty that trains future primary care providers. These efforts have been unsuccessful in the Hawai'i State Legislature to date.

Table 7 Rotation Counts and Rotation Hours by Specialty

Specialty	Total Count of PTC Rotations	Sum of Rotation Hours	Percent of Total Hours	Designation
Acute Care	0	0	0.00%	Specialty
Allergy/Immunology	0	0	0.00%	Specialty
Ambulatory Care	5	368	0.42%	Primary Care
Anesthesia	0	0	0.00%	Specialty
Audiology	0	0	0.00%	Specialty
Behavioral Health	1	240	0.27%	Specialty
Cardiology	2	480	0.55%	Specialty
Clinical Pharmacy	1	240	0.27%	Primary Care
Community Pharmacy	14	3100	3.53%	Primary Care
Critical Care	2	480	0.55%	Specialty
Dermatology	0	0	0.00%	Specialty
Emergency Medicine	100	391	0.44%	Specialty
Endocrinology/Diabetes	6	755	0.86%	Specialty
Family	483	24934	28.38%	Primary Care
Gastroenterology	1	8	0.01%	Specialty
General Medicine	1	4	0.00%	Primary Care
Gerontology	319	11799	13.43%	Primary Care
Home Infusion (Pharmacy)	1	240	0.27%	Primary Care
Internal Medicine	433	17223	19.60%	Primary Care
Multiple Specialties	0	0	0.00%	Specialty
Nephrology	0	0	0.00%	Specialty
Neurology	0	0	0.00%	Specialty

OB/GYN/Women's Health	67	5379	6.12%	Primary care
Oncology/Hematology	1	4	0.00%	Specialty
Ophthalmology	0	0	0.00%	Specialty
Orthopedics	0	0	0.00%	Specialty
Osteopathic Manipulative Medicine	2	122	0.14%	Primary Care
Palliative Medicine/Hospice	17	449	0.51%	Primary Care
Pediatrics	148	9665	11.00%	Primary Care
Physical Medicine & Rehabilitation	0	0	0.00%	Specialty
Population Health	0	0	0.00%	Primary Care
Primary Care	58	3952	4.50%	Primary Care
Pulmonology	1	210	0.24%	Specialty
Radiology	0	0	0.00%	Specialty
Retail Pharmacy	1	240	0.27%	Primary Care
RN Nursing	0	0	0.00%	Specialty
Specialty Pharmacy	2	480	0.55%	Specialty
Sports Medicine	46	1088	1.24%	Primary Care
Surgery	0	0	0.00%	Specialty
Undisclosed	0	0	0.00%	Specialty
Urgent Care	2	270	0.31%	Primary Care
Urology	0	0	0.00%	Specialty
Wound Care	0	0	0.00%	Specialty
Unknown (Inactive)	426	5751	6.54%	Unknown

Note: specialties in bold are "specialty" for the purposes of the tax credit program

Table 8 Sum of All Rotations

Specialty	Total Count of PTC Rotations	Sum of Rotation Hours	Percent of Total Hours
GRAND TOTAL, fields	2140	87872	100%
Specialties	116	3048	3%
Inactive	426	5751	7%
Primary Care, Combined	1598	79072	90%



Conclusion

The Preceptor Tax Credit program, overseen by the Preceptor Credit Assurance Committee, which is a committee of the Department of Health, is successfully meeting the aims of increasing healthcare training in Hawai'i established by Act 43, SLH 2018. This program awarded \$676,000 tax credits in 2023, with a cumulative \$2,657,000 tax credits issued to Hawai'i's eligible health care providers since 2019.

Between 2019 and 2023, there was a 77% increase in active (self-registered and attested) providers who taught at least one rotation, regardless of total time spent teaching. Despite this, in 2023, only 53% of the maximum potential tax credits were awarded. The Preceptor Tax Credit program is successful in growing the number of providers registering in the preceptor tax credit program, as well as completing clinical education for advanced practice registered nurses, physicians, and pharmacists. In addition, the Preceptor Tax Credit program may be improved by removing the primary care requirement, and adding additional professions (such as Physician Assistants, Social Workers, and Registered Dietitians) to ensure continued, and even expanded, success.



EVALUATION OF HAWAII PRECEPTOR TAX CREDIT PROGRAM FIVE YEAR PROGRAM EVALUATION 2019-2023

PRECEPTOR CREDIT ASSURANCE COMMITTEE (PCAC)

**ADMINISTRATIVE SUBCOMMITTEE
PREPARED BY LAURA REICHHARDT, APRN, AGPCNP-BC, FAAN AND
KELLEY WITHY, PHD, MD, FOR THE HAWAII DEPARTMENT OF HEALTH**

Prepared June 2024

Email PTC@Hawaii.edu for alternate versions of this document
which will be provided upon request.