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FISCAL AND POLICY NOTE
First Reader

Senate Bill 217 (Senator Conway)
Education, Health, and Environmental Affairs

State Board of Physicians - Distribution of Fees by Comptroller - Loan
Assistance Repayment for Physicians and Physician Assistants

This bill repeals the requirement that the State Board of Physicians (MBP) contribute a portion of its fees to the Health Personnel Shortage Incentive Grant Program (HPSIG) and caps MBP's required contribution to the Maryland Loan Assistance Repayment Program for Physicians and Physician Assistants (MLARP) at \$350,000 annually.

Fiscal Summary

State Effect: Special fund revenues and expenditures for the Maryland Higher Education Commission (MHEC) decrease by an estimated \$765,700 annually beginning in FY 2017, as discussed below. Federal fund revenues and expenditures for the Department of Health and Mental Hygiene (DHMH) also decrease by as much as \$50,000 annually beginning in FY 2017, as discussed below.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill also repeals an obsolete provision requiring that, for fiscal 2008, if the Governor does not include specified funds in the State budget, the Comptroller must distribute 14% of MBP's fees to HPSIG and MLARP.

Current Law: HPSIG and MLARP are scholarship programs established under the Education Article (§ 18-803 and § 18-2803, respectively). MHEC administers both programs.

HPSIG provides grants to eligible institutions of higher education that have programs leading to licensure, certification, or registration in health personnel shortage areas. The Secretary of Health and Mental Hygiene must annually certify health occupations experiencing shortages. Only the following health occupations may qualify: (1) physical therapist or physical therapist assistant who has at least an associate's degree in physical therapy; (2) occupational therapist or occupational therapist assistant who has at least an associate's degree in occupational therapy; (3) radiographer; (4) respiratory therapist; (5) laboratory technician; (6) medical technologist; (7) pharmacist; (8) registered nurse or licensed practical nurse; or (9) physician who engages in family practice or pediatrics. Program awards are calculated based on a formula established in statute.

MLARP provides loan repayment assistance in exchange for certain service commitments to help ensure underserved areas of the State have sufficient numbers of primary care physicians and physician assistants. The following physicians and physician assistants may qualify, in order of priority: (1) those who practice primary care in an eligible field of employment or who are medical residents specializing in primary care and agree to practice for at least two years as a primary care physician in an eligible field of employment, in a federally designated geographic area of the State; (2) those who practice primary care in a geographic area where DHMH has identified a shortage; and (3) those who practice a medical specialty other than primary care in a geographic area where DHMH has identified a shortage of that specialty. "Primary care" includes primary care, family medicine, internal medicine, obstetrics, pediatrics, geriatrics, emergency medicine, women's health, and psychiatry.

MBP licenses physicians and physician assistants (as well as other allied health professionals). The board may set reasonable fees for the issuance and renewal of licenses and its other services. MBP pays all collected fees to the Comptroller, who then distributes the fees to the Board of Physicians Fund.

If the Governor *does not* include in the State budget at least \$750,000 for the operation of HPSIG and MLARP, as administered by MHEC, the Comptroller must distribute 12% of the fees received from MBP to MHEC to be used as follows: (1) one-half to make grants under HPSIG; and (2) one-half to make grants under MLARP. The balance of fees is then distributed to the Board of Physicians Fund.

If the Governor *does* include in the State budget at least \$750,000 for the operation of HPSIG and MLARP, as administered by MHEC, the Comptroller must distribute all of the fees to the Board of Physicians Fund.

Per § 18-2804 of the Education Article, any unspent money that is transferred from the Board of Physicians Fund to the MLARP Fund may not be transferred or revert to the general fund; it must be maintained by MHEC to administer MLARP.

Background:

Health Personnel Shortage Incentive Grant Program: In response to the 2015 *Joint Chairmen's Report*, MHEC submitted *Report on the Uses of Physicians' Fee Revenue* in December 2015. The report detailed MHEC's concerns about HPSIG. Specifically, MHEC noted that the qualifying health occupations listed in statute have not been amended in the last 20 years and some of the workforce shortage areas no longer apply. Additionally, the statutory formula for calculating awards does not allow for discretionary distribution of available funding. MHEC recommended amending statute to remove specified health occupations to meet evolving health personnel shortage needs, including redefining what qualifies as a "shortage." MHEC also recommended replacing the statutory formula for calculating awards with a competitive grant.

MBP has expressed concern that, although it is the only health occupations board contributing funds to HPSIG, other health occupations qualify under the program (*e.g.*, nurses, pharmacists, and physical therapists). In fiscal 2015, MBP transferred \$1,357,057 to both HPSIG and MLARP.

MHEC advises that, in fiscal 2015, 12 institutions received a total of \$351,000 in awards through HPSIG. **Exhibit 1** summarizes the revenues, expenditures, and cumulative year-to-date fund balance for HPSIG from fiscal 2010 through 2015.

The Budget Reconciliation and Financing Act of 2015 transferred \$1.7 million from the HPSIG fund balance to the general fund in fiscal 2015. The Governor's proposed fiscal 2017 budget includes a special fund appropriation of \$750,000 for HPSIG, funded exclusively with MBP fee revenues.

Maryland Loan Assistance Repayment Program for Physicians and Physician Assistants: MHEC advises that, in fiscal 2015, approximately \$500,000 was awarded to 25 students through MLARP. **Exhibit 2** summarizes the revenues and expenditures for MLARP from fiscal 2010 through 2015.

Exhibit 1
HPSIG Fund Revenue and Expenditures
Fiscal 2010-2015

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Revenues	\$513,947	\$615,869	\$523,601	\$631,372	\$546,645	\$678,529
Expenditures	507,423	400,000	(19,117) ¹	(4,361) ²	586,500	351,000
Cumulative Balance	369,490	585,359	1,128,077	1,763,810	1,737,198 ³	364,727

¹Funds returned from previous grant. No funds disbursed in fiscal 2012.

²Funds returned from previous grant. No funds disbursed in fiscal 2013.

³\$1.7 million from this balance was subsequently transferred to the general fund by the Budget Reconciliation and Financing Act of 2015.

Note: Some amounts shown differ from those reported elsewhere.

Source: Maryland Higher Education Commission; Department of Legislative Services

Exhibit 2
MLARP Fund Revenue and Expenditures
Fiscal 2010-2015

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Revenues	\$513,948	\$613,691	\$476,561	\$717,894	\$546,645	\$678,529
Expenditures	401,700	387,258	350,000	437,371	348,558	520,339
Cash Balance	112,248	226,433	126,561	280,523	198,087	158,190

Note: Revenues reflect fees from the State Board of Physicians and do not include the \$400,000 in federal matching funds typically received by the program annually.

Source: Maryland Higher Education Commission; *Joint Chairmen's Report: Uses of Physicians' Fee Revenue*, December 2015; Department of Legislative Services

In addition to revenues received from MBP, DHMH receives \$400,000 annually in federal funds to provide assistance to physicians and physician assistants to repay eligible student
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loans. Receipt of these federal funds is contingent on a one-to-one State match through MLARP. The Governor's proposed fiscal 2017 budget includes a special fund appropriation of \$1,032,282 for MLARP, funded exclusively with MBP fee revenues, and \$400,000 in federal matching funds.

State Fiscal Effect: General funds have never been appropriated for awards from HPSIG or MLARP. Instead, MBP has annually contributed 12% of its fee revenues to MHEC to fund both programs. MBP advises that it anticipates collecting \$9,297,656 in fee revenues in fiscal 2016. Thus, under current law (despite the amounts included in the Governor's proposed budget), MBP anticipates contributing \$1,115,719 (12% of revenues) to MHEC at the end of fiscal 2016, to be distributed equally between both programs.

This analysis assumes that, absent the bill's proposed changes, MBP would continue to contribute 12% of its total fee revenues to both programs and that general funds would not otherwise be appropriated in the State budget. This analysis also assumes that MBP's licensing fee revenue remains relatively constant over subsequent fiscal years. Further, it assumes that, because the distribution is made at year-end, all funding for the fiscal year is modified, despite the bill's October 1, 2016 effective date.

Under the bill, MHEC special fund revenues decline by an estimated \$765,720 annually beginning in fiscal 2017. MHEC special fund expenditures decline as discussed below.

Impact on the Health Personnel Shortage Incentive Grant Program: The bill repeals the requirement that MBP contribute funding toward HPSIG. Thus, HPSIG special fund revenues and expenditures decline by an estimated \$557,860 in fiscal 2017. As MBP revenues are the sole source of funding for HPSIG, the program will be unable to provide grants beginning in fiscal 2017 unless another source of funding is identified.

Impact on the Maryland Loan Assistance Repayment Program for Physicians and Physician Assistants: The bill caps MBP's required contribution to MLARP at \$350,000 annually. Therefore, special fund revenues for MLARP decrease by an estimated \$207,860 in fiscal 2017, due to MHEC receiving a maximum of \$350,000 from MBP instead of the \$557,860 required under current law.

Special fund expenditures for MLARP may decrease by as much as \$207,860 annually beginning in fiscal 2017, depending on the number of qualifying applications and eligible candidates per fiscal year. From fiscal 2010 through 2015, MLARP received an average of \$591,211 in revenues from MBP and expended an average of \$407,538 annually.

In fiscal 2015, MHEC awarded approximately \$500,000 to 25 students, or approximately \$20,000 per student through MLARP. Thus, under the bill, MHEC may need to reduce the number of MLARP awards and/or award amounts per student. However, MLARP

revenues have historically exceeded expenditures by an average of \$183,674 per fiscal year. As revenues have consistently exceeded expenditures over the past six fiscal years, the MLARP Fund carries a cash balance. As of January 29, 2016, the balance was \$659,269. Therefore, any award deficiencies in the short term can likely be met with existing funds, including fund balance.

Federal fund revenues and expenditures for MLARP are also impacted under the bill. DHMH advises that, if MLARP receives only \$350,000 from MBP, only \$350,000 in federal funds may be available, as receipt of federal funds is contingent on a one-to-one State match through MLARP. Therefore, federal fund revenues decrease by as much as \$50,000 annually beginning in fiscal 2017. Federal fund expenditures likely decrease by approximately the same amount, depending on the number of qualifying applications and eligible award candidates per fiscal year for MLARP and the availability of any federal fund balance.

Impact on the State Board of Physicians: The bill permits MBP to retain approximately \$765,720 of its fee revenues annually beginning in fiscal 2017. As a result, special fund expenditures for MBP may increase in future fiscal years, contingent on authorization for such appropriations in the State budget. MBP may also be able to reduce fees for licensees, and in turn reduce future special fund revenues for the board.

Additional Comments: The bill repeals the current funding source for HPSIG under the Health Occupations Article, but it does not alter corresponding provisions under § 18-803 of the Education Article.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Higher Education Commission, Department of Health and Mental Hygiene, Department of Legislative Services

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