Department of Legislative Services

Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 501 (Senators Griffith and Hershey)

Education, Health, and Environmental Affairs and Budget and Taxation | Appropriations

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Maryland Loan Assistance Repayment Program for Physicians and Physician Assistants - Administration and Funding

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This bill transfers oversight of the Maryland Loan Assistance Repayment Program (MLARP) for Physicians and Physician Assistants from the Office of Student Financial Assistance within the Maryland Higher Education Commission (MHEC) to the Maryland Department of Health (MDH). The bill establishes a stakeholder workgroup that must review and report on specified information, including a permanent funding structure for MLARP. For fiscal 2022, the minimum funding for MLARP for Physicians and Physician Assistants increases by $600,000 (to $1.0 million). For fiscal 2023 and beyond, unless MDH implements an alternative permanent funding structure, funding is the same as under current law ($400,000 annually). Each year beginning on October 1, 2021, MDH must report on the program, as specified. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: In FY 2021, the MLARP Fund is transferred from MHEC to MDH and general fund expenditures for MDH increase by $143,100, including $100,000 in one-time programing costs; out-year general fund expenditures reflect ongoing staffing costs. In FY 2022, special fund revenues otherwise distributed to the State Board of Physicians (MBP) are instead distributed to the MLARP Fund (for no net effect on revenues), and MLARP Fund expenditures are assumed to increase by $600,000. If no permanent funding structure is implemented, MBP special fund revenues distributed to the MLARP Fund in FY 2023 and annually thereafter are the same as under current law (reflected below).

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Revenue	$0	$0	$0	$0	$0
GF Expenditure	$143,100	$37,300	$38,000	$39,400	$40,800
SF Expenditure	$0	$600,000	$0	$0	$0
Net Effect	($143,100)	($637,300)	($38,000)	($39,400)	($40,800)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: MDH must convene a stakeholder workgroup to examine how the State can implement a program within or in addition to MLARP for Physicians and Physician Assistants to further incentivize medical students to practice in health professional shortage areas and medically underserved areas in the State. To that end, the workgroup must review and examine specified information. The workgroup must consult with the Department of Legislative Services (DLS) when developing its recommendations.

The workgroup must submit an interim report by December 1, 2020, and a final report by December 1, 2021, with its findings and recommendations, including recommendations on the structure of a permanent advisory council and a permanent funding structure for MLARP for Physicians and Physician Assistants.

If the Governor *does not* include in the State budget in fiscal 2022 at least $1,000,000 for the operation of MLARP for Physicians and Physician Assistants, as administered by MDH, the Comptroller must distribute $1,000,000 of the fee revenues received from MBP to the MLARP Fund to make MLARP grants. The balance of the fee revenues is then distributed to the Board of Physicians Fund.

In fiscal 2023 and each year thereafter, if the Governor *does not* include in the State budget at least $400,000 for the operation of MLARP for Physicians and Physician Assistants, as administered by MDH, the Comptroller must distribute $400,000 of the fee revenues received from MBP to MDH to make MLARP grants. The balance of the fee revenues is then distributed to the Board of Physicians Fund.

Further, the bill specifies that the MLARP Fund consists of revenue generated through a permanent funding structure recommended to the General Assembly by the stakeholder workgroup convened by MDH. The bill also repeals the current funding source, which is an increase, as approved by the Health Services Cost Review Commission, to the rate structure of all hospitals. The fund source repealed by the bill has never been used because it has been determined to be a violation of the federal Medicare waiver.

The bill adds "preventative medicine" to the definition of "primary care." This change is largely clarifying but may minimally expand eligibility to MLARP for Physicians and Physician Assistants to the extent preventative medicine practitioners are not already captured by the nine specialties defined as "primary care" under current law.

The bill also repeals an obsolete provision related to funding MLARP for Physicians and Physician Assistants in fiscal 2017 and 2018.

Current Law/Background: MLARP for Physicians and Physician Assistants is a student loan repayment program established under the Education Article (§ 18-2803) that is administered by MHEC.

MLARP for Physicians and Physician Assistants provides student 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 MDH has identified a shortage; and (3) those who practice a medical specialty other than primary care in a geographic area where MDH 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 fee revenues to the Board of Physicians Fund.

If the Governor *does not* include in the State budget at least $400,000 for the operation of MLARP for Physicians and Physician Assistants, as administered by MHEC, the Comptroller must distribute $400,000 of the fee revenues received from MBP to MHEC to make MLARP grants. The balance of the fee revenues is then distributed to the Board of Physicians Fund. In practice, $400,000 in fee revenues, which would otherwise be distributed to MBP has been distributed to MLARP annually since fiscal 2019.

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.

State Fiscal Effect: The MLARP Fund transfers from MHEC to MDH on July 1, 2020. To handle the additional duties, general fund expenditures for MDH increase by $143,145 in fiscal 2021, including $100,000 in one-time programing costs. In addition, due to the increased minimum funding level for fiscal 2022, an additional $600,000 is available for MLARP awards in that year. In fiscal 2023 and beyond, it is assumed that funding for MLARP awards is the same as under current law ($400,000). The stakeholder workgroup must recommend a permanent funding structure by December 1, 2021 (fiscal 2022); however, it is likely that funding structures recommended will require additional legislation to implement. Thus, special fund revenues and expenditures in fiscal 2023 and beyond are assumed to be unaffected for the purposes of this analysis.

To the extent that MDH implements a permanent funding structure that does not require additional legislation, special fund revenues and expenditures are (presumably) greater beginning in fiscal 2023. Any such change depends on the recommendations of the stakeholder workgroup established by the bill; thus, the magnitude and source(s) of funding cannot be reliably estimated at this time.

Impact of Transferring Duties on the Maryland Higher Education Commission and the Maryland Department of Health

With the transfer of the MLARP Fund, special fund revenues and expenditures associated with the awards under the program decrease in MHEC and increase in MDH – for an offsetting impact. Other MHEC expenditures do not decrease because MHEC staff are fully subscribed with duties for other scholarships; further, computer programing costs for MHEC do not decrease. However, duties do increase for MDH with this transfer, and in fiscal 2022, additional funding is made available to MLARP for Physicians and Physician Assistants, allowing for additional and/or larger awards to be made. Additional funding may continue in fiscal 2023 and beyond if MDH implements a permanent funding structure which provides additional funding. However, any additional funding for MLARP for Physicians and Physician Assistants in fiscal 2023 and beyond cannot be estimated at this time as it depends on the recommendations made by the workgroup. Moreover, additional funding may require further legislation.

The MDH Office of Population Health Improvement (OPHI) advises that it will be responsible for administering the MLARP Fund and that it needs three full-time staff and two temporary contractors to implement the bill. OPHI further advises that computer programing costs increase by $100,000 in fiscal 2021 and by $50,000 in fiscal 2022 and beyond. In total, OPHI estimates expenditures would increase by $420,000 in fiscal 2021 and approximately $250,000 in out-years.

DLS advises that OPHI can implement the bill with one half-time special programs coordinator and one-time computer programing costs. Thus, general fund expenditures for MDH increase by $143,145 in fiscal 2021, which assumes the coordinator is hired concurrent with the July 1, 2020 effective date. The coordinator can administer MLARP for Physicians and Physician Assistants within OPHI, convene the required stakeholders group, submit the reports with recommendations for the permanent funding structure, and annually report the required demographic data on program applicants and award recipients. Because selection of current candidates is already done by MDH, the half-time staff reflects work due to additional administrative duties and the bill increasing the amount of funding available for awards in fiscal 2022. Based on current award amounts, it is assumed that the number of awards increases from approximately 40 annually to approximately 90 in fiscal 2022. Alternatively, the size of the awards may increase in that year.

The estimate includes a half-time salary, fringe benefits, one-time start-up costs, and ongoing operating expenses and $100,000 in computer programing expenses to build the software necessary to distribute the awards.

Position	0.5
Salary and Fringe Benefits	$37,937
One-time Computer Programing	100,000
Other Operating Expenses	5,208
Total FY 2021 MDH GF Expenditures	**$143,145**

Future year expenditures reflect annual increases and employee turnover and ongoing operating expenses. This estimate assumes that the additional administrative duties due to transferring the program to MDH necessitate the additional half-time staff position regardless of whether there is additional MLARP funding in subsequent years. However, to the extent additional funding for MLARP is not identified and implemented by fiscal 2023 and the additional duties can be absorbed by existing staff, general fund expenditures may no longer be necessary beginning in fiscal 2023 and the half-time position may be able to be terminated.

Impact on the Maryland Loan Assistance Repayment Program for Physicians and Physician Assistants

As the minimum required funding for MLARP for Physicians and Physician Assistants increases in fiscal 2022, revenues for the MLARP Fund increase by an estimated $600,000 in that year. Special fund expenditures may increase by as much as $600,000 in fiscal 2022, depending on the number of qualifying applications and eligible candidates in that year. For example, in fiscal 2019, approximately $957,806 (which includes approximately $400,000 in federal matching funds) was awarded to 40 students, or approximately $23,945 per student, through MLARP. This estimate does not account for any impact on federal funds due to the higher State funding level for MLARP in fiscal 2022; the availability of any additional federal matching monies cannot be reliably determined since the match is not provided on a one-for-one basis. Also, in recent years, MHEC has over awarded for MLARP. The fiscal 2021 budget for the program reflects a $10,000 negative fund balance from fiscal 2020.

Expanding eligibility (by including "preventative medicine") for MLARP for Physicians and Physician Assistants does not require additional funding.

Impact on the State Board of Physicians

Assuming the Governor does not include funds specifically for MLARP for Physicians and Physician Assistants in the budget, monies that would otherwise be distributed to the Board of Physicians Fund are instead distributed to the MLARP Fund and that amount increases by $600,000 (to $1.0 million) in fiscal 2022. MBP's fund balance (more than $5.0 million) is sufficient to allow for redirecting $600,000 in fiscal 2022 for MLARP awards without MBP needing to increase licenses fees for individuals regulated by the board. In fiscal 2023 and beyond, an estimated $400,000 in MBP funds are directed to fund MLARP awards (if the Governor does not include funds specifically for MLARP in the budget), the same as under current law. To the extent that MDH implements a permanent funding structure that does not require additional legislation, special fund revenues may be greater beginning in fiscal 2023.

Impact on the Department of Legislative Services

DLS can advise the stakeholder workgroup using existing resources. This estimate assumes DLS staff acting in an advisory capacity only as full staff support is being provided by MDH.

Additional Comments: Separate legislation (Senate Bill 192 of 2020, the Budget Reconciliation and Financing Act or BRFA) authorizes use of $400,000 from the Board of Physicians Fund for MLARP for Physicians and Physician Assistants in fiscal 2021. The fiscal 2021 operating budget for MHEC includes a total of $790,000 for MLARP for Physicians and Physician Assistants, with $400,000 of that amount contingent on the enactment of legislation enabling the transfer of funds as in the BRFA. This amount reflects the $10,000 negative fund balance from fiscal 2020, as noted above, and would otherwise be $800,000.

This analysis assumes that § 15-206 of the Health Occupations Article is intended to mirror the language in § 14-207 of the Health Occupations Article as the language in both sections refers to the same payment from the same fund. The language is in both sections to clarify that both physicians and physician assistants are eligible for loan repayment through MLARP for Physicians and Physician Assistants. If this interpretation is not implemented, the magnitude of the distribution of license fee revenues to the MLARP Fund in fiscal 2022 under the bill is unclear.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 998 (Delegate Sample-Hughes, *et al.*) - Appropriations.

Information Source(s): Comptroller's Office; Maryland Higher Education Commission; Department of Budget and Management; Maryland Department of Health; Department of Legislative Services

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