

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

House Bill 687 (Delegate Rosenberg)
 Ways and Means

**Janet L. Hoffman Loan Assistance Repayment Program - Physicians Practicing
 in Shortage Areas**

This bill expands physicians’ eligibility for the Janet L. Hoffman Loan Assistance Repayment Program (LARP) by eliminating the requirement that a physician work for a public or nonprofit agency in order to receive assistance. Instead of meeting the income level eligibility requirement for LARP, a physician may agree to work for 10 years in an area of the State determined by the Secretary of Health and Mental Hygiene to have a shortage of physicians in the specialty in which the individual is trained. A physician working in a specialty shortage area is also included among the occupations for which LARP participation is a priority.

Fiscal Summary

State Effect: General fund expenditures would increase by an estimated \$102,300 in FY 2009 for the Department of Health and Mental Hygiene to analyze and recommend physician shortage areas. Future year expenditure estimates reflect annualization, salary increases, and inflation. General fund expenditures could also increase to make awards to more eligible LARP applicants. Revenues would not be affected.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	102,300	65,200	68,300	71,700	75,200
Net Effect	(\$102,300)	(\$65,200)	(\$68,300)	(\$71,700)	(\$75,200)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Only individuals working for a public or nonprofit organization are eligible for participation in LARP. Priority for participation in LARP is given to individuals who • graduated from institutions of higher education within the last three years; • are residents of the State; • are employed full-time; and • provide legal services to low-income Marylanders, provide nursing services in nursing shortage areas, or provide other services to low-income or underserved populations in eligible employment fields. Award recipients must also meet income eligibility guidelines established by OSFA.

Another branch of LARP applies specifically to primary care physicians who agree to work for two to four years in an underserved area of the State. This program, known as LARP-Primary Care Services or LARP-PCS, has no income eligibility requirement, and LARP-PCS award recipients are selected by a committee established by DHMH instead of OSFA.

Background: According to the National Rural Health Association, while nearly one-fourth of the population lives in rural areas of the country, only about 10% of physicians practice there. Nationally, this explains the high number (2,157) of health professional shortage areas in rural and frontier areas, compared to 910 shortage areas in urban regions. Rural residents often travel long distances to reach a doctor.

In January 2008, the Maryland Hospital Association and MedChi, the Maryland State Medical Society, released a report showing that Maryland is 16% below the national average for the number of physicians in clinical practice and that the most severe shortages are in rural parts of the State. One of the recommendations from the report was to offer incentives to encourage physicians to practice in rural areas of the State.

The proposed fiscal 2009 State budget includes a total of \$2.9 million for LARP and LARP-PCS. Of this amount, \$2.0 million is general funds that are used for LARP and \$850,000 is generated from special and reimbursable federal funds and is used for LARP-PSC. The maximum annual LARP award is \$10,000, and LARP-PCS awards range from \$25,000 to \$30,000 per year.

State Expenditures: General fund expenditures could increase by an estimated \$102,331 in fiscal 2009, which accounts for the bill's October 1, 2008 effective date. This estimate reflects the cost of hiring a health policy analyst at DHMH to develop criteria for determining shortages, assessing the number of physicians in each specialty in different regions of the State, and making shortage recommendations based on findings. A full-time salary, fringe benefits, one-time start-up costs, and ongoing operating expenses are included in the estimate, as is a one-time fiscal 2009 cost of \$50,000 to

upgrade DHMH's management information system to enable it to track, analyze, and generate reports for additional specialties that would be reviewed for shortages.

	<u>FY 2009</u>	<u>FY 2010</u>
Salaries and Fringe Benefits	\$45,783	\$62,182
Information System Upgrades	50,000	0
Operating Expenses	<u>6,548</u>	<u>2,968</u>
Total State Expenditures	\$102,331	\$65,150

Future year expenditures reflect • a full salary with 4.4% annual increases and 3% employee turnover; and • 2% annual increases in ongoing operating expenses.

Funding levels for LARP and LARP-PSC are determined by the State budget, and therefore any additional expenditures for the programs resulting from an expansion of the programs would only be incurred if the annual State budget includes new funding to make additional awards. The Maryland Higher Education Commission estimates that the legislation would increase applications for LARP by at least 30 eligible physicians annually. It is unclear whether the award levels for physicians working at for-profit organizations would be at the LARP level (maximum of \$10,000 annually) or the LARP-PSC level (\$25,000 to \$30,000 annually). Additional costs to award the newly-eligible physicians could range, therefore, from \$300,000 to \$900,000 beginning in fiscal 2009 or 2010.

If eligibility for LARP is expanded without additional funding, applicants could be added to a waiting list for the program or the selection of awardees could become more competitive. LARP currently has a waiting list of 506 applicants.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 24, 2008
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