

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

House Bill 1166 (Delegate Manno)
 Ways and Means

Higher Education - Loan Assistance Repayment Program - Medical Professionals

This bill establishes the Medical Education Loan Assistance Repayment Program to be administered by the Office of Student Financial Assistance (OSFA) within the Maryland Higher Education Commission (MHEC). The program provides loan assistance repayment to licensed physicians and nurses who agree to practice in a State, federal, or nonprofit hospital in Maryland for a specified period of time. By January 1 of each year, OSFA must report to the General Assembly on the implementation of the program. Funding for the program must be provided in the annual State budget.

Fiscal Summary

State Effect: General fund revenues increase significantly to repay student loan debt for eligible physicians and nurses. Under one set of assumptions as shown below, based on limiting the program to 20 recipients, general fund expenditures increase by an estimated \$468,200 beginning in FY 2010. Under another set of assumptions, based on the program being an entitlement, general fund expenditures may increase by approximately \$5.2 million to \$37.2 million beginning in FY 2010. Future year general fund expenditures increase to repay additional qualified student loan debt and administrative expenses. Revenues are not affected.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	468,200	482,500	485,900	489,500	513,900
Net Effect	(\$468,200)	(\$482,500)	(\$485,900)	(\$489,500)	(\$513,900)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: OSFA must provide loan repayment assistance to individuals who are licensed as a physician by the State Board of Physicians or a nurse practitioner, registered nurse, or practical nurse licensed by the State Board of Nursing. To qualify for loan assistance, an applicant must also (1) receive a graduate, professional, or undergraduate degree from a college or university in Maryland or a school of medicine; (2) obtain employment in the State at a State, federal, or nonprofit hospital; and (3) agree to practice at a nonprofit hospital in the State for at least four years for nurses and at least six years for doctors. OSFA may establish other eligibility criteria.

The program must provide repayment assistance for 60% of recipients' qualifying debt if they are employed by an eligible place of employment for six years if they are a physician or four years if they are a nurse. After the initial four years is served, for each additional year of service, an additional 10% of a recipient's remaining qualifying debt must be repaid for up to four more years.

OSFA must establish regulations for the loan assistance program that prioritize applicants and provide for an annual review of recipients' eligibility. Priority must be given to individuals who graduated from an institution of higher education in the last three years and are residents of Maryland.

OSFA may not employ more than one staff member to administer the program.

Current Law: The Medical Education Loan Assistance Repayment Program is a new State program. OSFA manages approximately 25 student financial assistance programs, including the Janet L. Hoffman Loan Assistance Repayment Program (LARP).

Background: LARP provides loan repayment assistance in exchange for service commitments to help ensure that underserved areas of the State have sufficient numbers of primary care physicians, dentists, and professionals serving low-income families. The program is subdivided into LARP, LARP-PCS, and MDC-LARP. Individuals must be employed full-time in State or local government or in a nonprofit organization that assists low-income, underserved residents or underserved areas in the State. OSFA may not employ more than one staff member to administer its portion of the program.

LARP

Eligible employment fields include lawyers, nurses, nurse faculty members, physical and occupational therapists, social workers, speech pathologists, physician assistants, and teachers in Title I schools. Applicants are awarded based on the overall reported loan debt at the time of application. Funds are distributed annually over a three-year period as long as the recipient remains eligible and continues to submit the required annual employment, lender, and tax documentation by the September 30 deadline. Awards are up to \$10,000 in each year for three years. In fiscal 2008, OSFA awarded 134 nurses \$638,082 and placed 119 applicants on the waitlist. The average award was \$5,372.

LARP-PCS

Primary care physicians and medical residents in a residency program specializing in primary care can qualify for loan repayment in exchange for agreeing to serve full-time as a primary care physician in an underserved area in the State for at least two years. The program is financed through the State budget, federal matching funds through the National Health Service Corps program, and licensing fees from the Board of Physicians Fund. Awards are between \$25,000 and \$30,000 annually. In fiscal 2009, OSFA awarded 14 new and 12 renewal awards totaling \$651,350.

MDC-LARP

Practicing dentists can qualify for loan repayment for each year of obligated service and also receive a supplement to help defray associated tax liability. Individuals must agree to remain employed full-time as a dentist with Maryland Medical Assistance Program recipients comprising at least 30% of the patient population.

State Expenditures: The bill states that funding for the program must be provided in the annual State budget. If it is assumed that the program is an entitlement, general fund expenditures increase by \$5.2 million to \$37.2 million in fiscal 2010 to repay 60% of qualified debt for between 250 and 1,807 nurses and for OSFA administrative costs. If it is assumed the program is not an entitlement, to establish a reasonable program, general fund expenditures increase by an estimated \$468,191 in fiscal 2010, including \$411,600 for loan repayment assistance for 20 nurses and \$56,591 for OSFA administrative costs. The following information and assumptions were used in calculating these estimates.

- It is assumed that no physicians will qualify for this program because, according to the Maryland Board of Physicians and the Maryland Hospital Association, physicians are not generally employed by hospitals. Physicians are generally employed by independent practices and have hospital privileges. Interns and residents are generally employed by hospitals, but they will not be able to meet the

six-year employment commitment. For informational purposes, the University of Maryland, Baltimore (UMB) estimates the average medical school debt for its graduates in fiscal 2007 was \$122,107.

- It is assumed that nurses will qualify for this program because, according to the Maryland Nursing Board and the Maryland Hospital Association, unlike physicians, nurses are generally employed by hospitals where they work.
- The Maryland Hospital Association estimates there are 18,072 full-time equivalent nurses (both registered nurses and licensed practical nurses) employed by hospitals in Maryland. All but one of the approximately 70 hospitals in Maryland are State, federal, or nonprofit hospitals. It is assumed that the number of nurses employed by the one for-profit hospital in the State is minimal.
- UMB estimates the average graduate nursing school debt for its graduates in fiscal 2007 was \$34,300. Assuming recipients have approximately \$34,300 in qualifying debt when applying for the loan repayment program, 60% of the average qualifying debt is \$20,580. An additional 10% of qualified debt will be approximately \$2,058.
- If it is assumed the program receives approximately 250 eligible applicants a year, based on the number of nurses that applied for LARP in fiscal 2008 and it is assumed to be an entitlement, general fund expenditures for loan repayment assistance increase by \$5.2 million beginning in fiscal 2010.
- If it is assumed that about 1% of the nurses employed by hospitals in Maryland apply for the loan repayment program each year because it is a more generous program than LARP, and it is assumed to be an entitlement, general fund expenditures for loan repayment assistance increase by \$37.2 million beginning in fiscal 2010.
- If it is assumed the program is not an entitlement and the program is limited to 20 nurses a year, general fund expenditures for loan repayment assistance increase by an estimated \$411,600 beginning in fiscal 2010.
- Under any set of assumptions, OSFA requires one additional administrative specialist to manage the new program and determine recipient eligibility. The estimated expenditures, \$56,591 in fiscal 2010, reflect the bill's October 1, 2009 effective date. A salary, fringe benefits, and one-time start-up costs, and ongoing operating expenses are included in the estimate. Future year estimates reflect annualization and inflation.

It is assumed under all scenarios that approximately 50% of the program's recipients will serve an additional year to receive an additional 10% loan repayment assistance for their remaining qualifying debt after four years. If it is assumed there are 250 recipients a year, general fund expenditures increase approximately \$257,250 beginning in fiscal 2014. If it is assumed there are 1,807 recipients a year, general fund expenditures increase approximately \$1.9 million beginning in fiscal 2014. If it is assumed there are 20 recipients a year, general fund expenditures increase approximately \$20,580 beginning in fiscal 2014.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management, Maryland State Department of Education, Maryland Higher Education Commission, Department of Health and Mental Hygiene, Comptroller's Office, University of Maryland Medical System, Maryland Board of Nursing, Maryland Board of Physicians, Maryland Hospital Association, Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2009
ncs/rhh

Analysis by: Caroline L. Boice

Direct Inquiries to:
(410) 946-5510
(301) 970-5510