Maryland
DEPARTMENT OF HEALTH

Board of Physicians

*Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Robert R. Neall, Secretary*

**2020 SESSION**
**POSITION PAPER**

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| **BILL NO:** | **HB 998 – Maryland Loan Assistance Repayment Program for Physicians and Physician Assistants – Administration and Funding** |
| **COMMITTEE:** | **House Appropriations** |
| **POSITION:** | **Support With Amendments** |

**TITLE:** **Maryland Loan Assistance Repayment Program for Physicians and Physician Assistants – Administration and Funding**

**BILL ANALYSIS:** HB 998 moves the administration of the Maryland Loan Assistance Repayment Program for Physicians and Physician Assistants ("MLARP") to the Maryland Department of Health ("the Department"), and creates annual reporting requirements for the program. HB 998 also increases the total fees contributed to the program by the Maryland Board of Physicians ("the Board") to $1 million annually beginning in Fiscal Year 2022. Finally, HB 998 establishes a stakeholder workgroup to further incentivize medical students to practice in medically underserved areas in Maryland.

**POSITION AND RATIONALE:**

The Board supports the expansion of MLARP and consolidating the administration of the program under one agency. The Board further supports the addition of new annual reporting requirements, which should allow the General Assembly to track the program's efficacy, and would like to see any implementation of MLARP also include more stringent reporting requirements for sites and program participants.

However, the Board has noted numerous issues with the program's administration since its inception in 1993 and would like to see a full audit of the program prior to any long-term increases in Board-contributed funds. Due in part to its joint administration between two agencies, MLARP has never received a full legislative audit. In previous instances when the Board has requested information, the figures provided by the Department, the Maryland Higher Education Commission and the Health Resources and Service Administration have been inconsistent with each other. A legislative audit to evaluate the effectiveness and efficiency of the program and its management is necessary to resolve these issues before the program is expanded.

Additionally, the Board has served as the sole source of funding for the program for almost three decades. The Board urges that the stakeholder workgroup explore new broader funding models to expand the scope of the program without requiring additional taxes on Board physicians and allied health professionals. Finally, the Budget Reconciliation and Financing Act of 2020 (SB 192 / HB 152) increases the Board's contributions to $1 million for Fiscal Year 2021. The Board recommends the completion of the workgroup prior to any permanent increase in Board contributions.

## State and Federal Funding Sources

MLARP is funded by a combination of state funds and a federal matching grant from the National Health Service Corps. This federal grant, known as the State Loan Repayment Program ("SLRP"), will match up to $1 million in funds for loan repayment for physicians and other health professionals working in federally-designated health professional shortage areas ("HPSAs").

The current statute requires that the Board contribute funds to MLARP whenever the Governor does not allocate funds in the state budget. The Board is special-funded, and its budget comes entirely from licensing fees paid by Maryland physicians and allied health professionals. Only physicians and physician assistants are eligible for MLARP, but licensure fees from all of the practitioners licensed by the Board support the program (athletic trainers, radiographers, respiratory care practitioners, perfusionists, naturopathic doctors and polysomnographers).[1] Since the program's inception in 1993, physicians and allied health professionals have contributed more than $20 million to support loan repayment.[2]

It should be noted that the statute under the Education article states that the fund consists of *"[r]evenue generated through an increase, as approved by the Health Services Cost Review Commission, to the rate structure of all hospitals in accordance with § 19–211 of the Health – General Article."* It is the Board's understanding that hospitals contribute and fund the nursing support program in this way. However, despite the language already in statute, no similar assessment on hospitals is currently used to fund MLARP.

At this time, the Board's annual contribution to MLARP is set at $400,000 per Health Occupations (H.O.) §14-207. In addition, the Budget Reconciliation and Financing Act of 2020 establishes an additional transfer of $400,000 to the program for Fiscal Year 2021, as well as a $199,517 transfer to the Office of the Secretary in the Health Department to cover the cost of previous overpayments. Collectively, this will increase the Board's contribution to loan repayment in FY 2021 to roughly $1 million.

The proponents of HB 998 have argued that providing less than $1 million in available state funds is "leaving money on the table," as the National Health Service Corps may match up to that amount via the SLRP grant. However, MLARP is one of 43 states and U.S. territories currently utilizing this grant, and SLRP awards are based on total fund availability. To determine how these funds are distributed, the National Health Service Corps ranks each state's application. A review of the funds contributed by the Board compared to funds matched by SLRP has shown

[1] All licensees also pay a fee to the Maryland Healthcare Cost Commission (MHCC) for each renewal. In FY 18 and FY 19, Board licensees paid more than $1 million to MHCC.

[2] $10.6 million for MLARP from 1997 to 2018 and $9.5 million to HPSIG for the same period.

that the program has consistently failed to meet the full federal match even for the $400,000 that the Board is currently contributing, and all previous larger amounts dating back to 2013.

While the Board questions whether there is an immediate need for increased funding to MLARP given the 8-year reporting, the Budget Reconciliation and Financing Act should satisfy that request. However, before any increase is made permanent, the program should be audited and any legislative workgroup should include exploring alternative funding models to ensure that the program is able to meet the full federal match.

## Alternative Models

There are currently more than 80 state support-for-service programs for health professionals across the United States. The SLRP grant alone provides federal monies to 43 state and U.S. territories. Many of these programs have unique funding and implementation models that MLARP could potentially utilize.

The SLRP grant will match any non-federal dollars for state-run loan repayment programs that benefit healthcare practitioners in HPSAs. These funds do not have to be limited to taxes and fees on healthcare practitioners. Their program will match dollars contributed from state appropriations, other state or local grants, hospital or school contributions, employer matching, private foundations and more. The largest and most successful programs in the country often have multiple sources of state funding. In fact, none of the six states that received the full $1 million SLRP match in 2019 utilize fees on practitioners at all.

Many state loan repayment programs differ in other ways beyond their funding models. For example, many states have strict eligibility requirements for participating sites, which allows those states to ensure all applicants will be working in areas with a high HPSA score. This in turn improves the state's application score when applying for the grant, and can help the state receive the full match from SLRP.

Another common feature of loan repayment programs includes detailed reporting requirements. While HB 998 requires the Department to submit an annual report to the General Assembly detailing participants, awards and other information, most states shift the burden of collecting that data to the participants by requiring regular reports from grantees or participating sites. One excellent example is Washington, which requires all sites to submit a quarterly verification form verifying all hours worked or if any participants fall below the required contract hours per week, conducts on-site visits and includes exit surveys so that it can collect feedback on the program and continue to track participants even after their contract concludes.

Finally, many state models include elements designed to increase the program's reach. For example, some states develop employer recruitment prerogatives and networks to help employers in rural or underserved communities connect with practitioners. Other states have programs geared toward reaching out to practitioners while they are still in medical school, allowing them to retain talented practitioners who are already working within the state.

In summary, there are a myriad of ways that MLARP can be made more robust and reach more people. Any legislative workgroup should focus on these elements, with any funding increases contingent upon their implementation.

## Conclusion

Loan repayment is a valuable resource for physicians and physician assistants and can help bring health professionals to medically underserved communities. However, any expansion of the program should be accompanied by an audit and review of other models. Therefore, the Board urges a favorable report on HB 998 with the Board amendments.

## Amendments Offered by the Maryland Board of Physicians

**Amendment 1: Remove Language Increasing Board Contributions**
The Board recommends removing the language found on page 7, lines 29 through 38 and page 8, lines 1 through 7. This language currently increases the annual Board contributions to $1 million beginning in Fiscal Year 2022.

***Rationale:*** *The Board believes that any permanent funding increases should not occur prior to the completion of an audit and investigation of ways to expand the program and incorporate other funding models. The Budget Reconciliation and Financing Act of 2020 increases the Board's contributions to MLARP for FY2021, raising the total fees assessed on the Board to $999,517. This temporary budgetary increase should serve to keep the program well-funded while the program is audited and alternate funding models are explored. However, permanently increasing contributions to this level would be unsustainable over the long-term and would eventually require an increase in health practitioner licensing fees.*

**Amendment 2: Expand the Legislative Workgroup and Identify its Participants**
The Board recommends adding additional language to Section 3, which creates a legislative workgroup to examine how Maryland can implement a program within or in addition to MLARP to further incentivize medical students to practice in HPSAs and medically underserved areas. In addition to the current requirements, the Board believes that the workgroup should also:

- examine and recommend alternative funding models utilized by other states and jurisdictions for state loan repayment, loan forgiveness, scholarships, tuition-reduction, state or local grants, hospital or school contributions, employer matching, private foundations, and
- examine and recommend increased application and reporting requirements for participating sites and grantees, and
- investigate other federal grants to further expand loan repayment and loan forgiveness for health professionals in Maryland, and
- include the Department, Board of Physicians, MedChi, Maryland Hospital Association and representatives from Johns Hopkins and University of Maryland medical schools as participants.

***Rationale:*** *A review of other states currently participating in the National Health Services Corps SLRP grant shows that the most successful loan repayment programs in the country incorporate multiple funding sources and have built-in reporting requirements that increase transparency and efficiency for the program. A previous legislative task force recommended exploring these models in 2009[3] and a subsequent report from 2016[4] recommended creating a rural scholarship*

[3] "Task Force to Review Physician Shortages in Rural Areas Established Under Senate Bill 459 - Final Report and Recommendations," December 2008.

*program for medical students and other healthcare professionals and again recommended that MLARP be streamlined and expanded, but these recommendations were not implemented.*

For more information, please contact Wynee Hawk, Manager, Policy and Legislation, Maryland Board of Physicians, 410-764-3786.

**The opinion of the Board expressed in this document does not necessarily reflect that of the Maryland Department of Health or the Administration.**

[4] "Transforming Maryland's rural healthcare system: A regional approach to rural healthcare delivery as required by Senate Bill 707 - Report of the Workgroup on Rural Health Delivery to the Maryland Health Care Commission," 2016.

# SLRP GRANTS AND BOARD CONTRIBUTIONS

| Fiscal Year | MBP Contribution | SLRP Grant Award | Difference | Percentage |
|---|---|---|---|---|
| 2019 | $400,000 | $360,000 | $40,000 | 90.00% |
| 2018 | $550,000 | $360,000 | $190,000 | 65.45% |
| 2017 | $550,000 | $400,000 | $150,000 | 72.73% |
| 2016 | $582,986 | $400,000 | $182,986 | 68.61% |
| 2015 | $678,529 | $400,000 | $278,529 | 58.95% |
| 2014 | $546,645 | $400,000 | $146,645 | 73.17% |
| 2013 | $631,372 | $379,600 | $251,772 | 60.12% |

## Total unclaimed federal dollars since 2013: **$1,239,931**

SLRP grant award figures provided by the Health Resources and Services Administration.

MARYLAND BOARD OF PHYSICIANS

For more information, please contact Matthew Dudzic, Maryland Board of Physicians, 410-764-5042, matthew.dudzic1@maryland.gov.

# PHYSICIAN LOAN REPAYMENT: EXPLORING OTHER MODELS

*A brief review of state and federal funding models for loan repayment programs for physicians and other health professionals.*

## MLARP FUNDING

*The Maryland Board of Physicians has been funding MLARP since 1993. A recent review of the program found that since 1997, MBP has contributed **$20,916,091.10**. MBP is currently required by statute to contribute $400,000 annually. All of these funds come **directly from licensing fees on physicians and allied health practitioners**.*

## FEDERAL MATCHING

*Most state-operated loan repayment programs are structured around qualifying for federal grants. The most common grant source is the **NHSC Student Loan Repayment Program (SLRP)**, which provides cost-sharing grants for states to operate loan repayment programs for healthcare practitioners working in federally-designated health professional shortage areas (HPSAs). SLRP will provide dollar-for-dollar matching of all non-federal funds for state-administered loan repayment programs.*

## LOAN REPAYMENT ACROSS THE COUNTRY

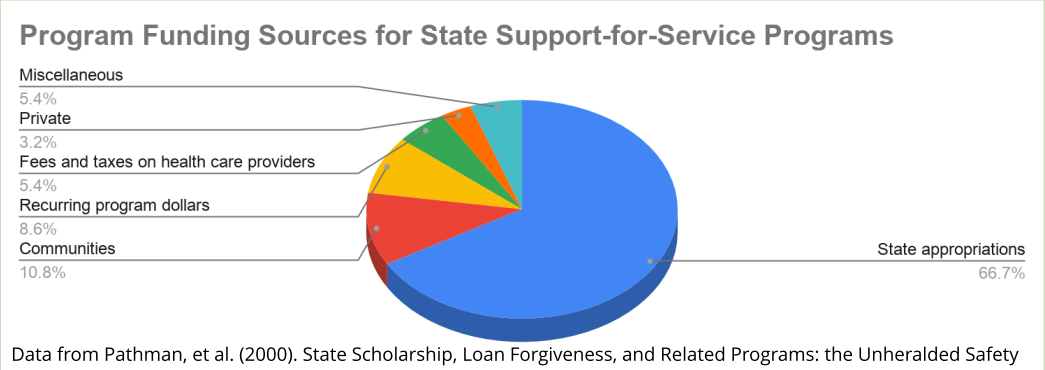
State-administered support for service programs are common across the country. SLRP currently lists 43 states and US territories with active programs, and some states carry multiple programs or qualify for different federal grants.

SLRP will match any non-federal dollars for programs that benefit healthcare practitioners in HPSAs, including state appropriations, other state education loan repayment programs, employer matching and/or donations from eligible service sites, private foundations or community organizations. The most successful programs often have multiple sources of state funding.

Beyond SLRP, there are many other federal grant programs for loan repayment. While these funds cannot be used for SLRP matching, they still represent an under-explored opportunity for expanding physician loan repayment.

Maryland has one of the few loan repayment programs nationwide to be solely funded by taxes or fees on health care providers. In fact, a study published in the Journal of the American Medical Association reviewed 82 state-funded support-for-service programs. **Of those 82 programs, only 5 programs received any funds from fees on practitioners**.

And while many states primarily focus on loan repayment, several states have established relationships with schools or developed state loan programs and set up loan forgiveness programs for health professionals who remain in under-served areas within their state.




Data from Pathman, et al. (2000). State Scholarship, Loan Forgiveness, and Related Programs: the Unheralded Safety Net. Journal of the American Medical Association, 284(16), 2084-2092. doi:10.1001/jama.284.16.2084

*According to the annual figures published by the National Health Service Corps SLRP, the six states who qualified for the greatest amount of federal matching dollars are Alaska, Arizona, California, Colorado, Michigan and Washington, all of whom receive **a million dollars in federal funds annually**. Of note, **none of these six states are funded by taxes or fees on physicians**.*

## OTHER STATE MODELS

### ALASKA

With many difficult-to-staff facilities in remote locations, Alaska has developed a unique loan repayment program known as SHARP that is particularly notable for using **no state appropriates, general funds or taxes/fees on practitioners**. Despite these setbacks, SHARP has generated over $16.8 million in loan repayment over the course of four years, providing more than 250 service contracts.

After finding that facilities in the Alaska Tribal Health System **typically spent more than 14 months and $31,000 to recruit a primary care provider**, Alaska developed SHARP, which instead shifts those recruitment costs toward loan repayment. Employers with positions to fill offer two-year contracts where they agree to pay between 50% and 100% of the loan repayment based on how difficult the position is to fill. Participating employers receive various recruitment prerogatives, and only pay into the fund when contracts are granted.

In this way, the bulk of the financial burden rests on the employers who are most benefiting from the program, while employers save on recruiting costs and only pay for filled positions.

### CALIFORNIA

California has the nation's largest state loan repayment program, providing more than **$4.6 million annually** in loan repayment.

Program funding in California comes primarily from three sources: state appropriations into a fund managed by the Office of Statewide Health Planning and Development, federal grants and employer matching. **Employers must agree to match SLRP awards on a dollar-for-dollar basis in order to be listed as an eligible site**. In this way, hospitals and other facilities provide up to $2,333,000 in funds each year.

### MAINE

While Maine only receives a relatively modest amount of matching funds from SLRP ($170,000), they stand out from other states in that they have a wide variety of loan repayment, loan forgiveness, recruitment and scholarship programs to attract and retain professionals into medically under-served areas.

The programs include:

- Other federal grants focused on loan repayment for health practitioners,
- A state-administered rural health network that connects employers with health professionals,
- Loan forgiveness arrangements with schools for graduates who remain in the state to work in HPSAs, and
- The Maine Health Professionals Loan Program, which offers zero interest loans to medical students if they work in HPSAs in Maine after graduation, or 3% interest loans for those who work in non-HPSA under-served areas in Maine.

## SAMPLE STATES:

ALASKA

CALIFORNIA

MAINE

## OTHER MODELS...

With more than 80 state support-for-service programs across the country covering loan forgiveness and repayment for a broad variety of health professionals, there are many additional models to explore. Many of these programs have elements that could be incorporated into MLARP, allowing it to increase its scope without relying on additional taxes or fees on health providers.