



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #253

Health Professions Loan Assistance Program (Commerce -- Economic Development and UW System)

[LFB 2009-11 Budget Summary: Page 190, #11 and Page 662, #25]

CURRENT LAW

Commerce administers the Physician and Dentist Loan Assistance Program and the Health Care Provider Loan Assistance Program which provide loan repayments for physicians, dentists, and certain other health care professionals who practice in designated health professional shortage areas. The Physicians and Dentist Loan Assistance Program repays loans for physicians and dentists, while the Health Care Provider Loan Assistance Program repays loans for nurse practitioners (NPs), physician assistants (PAs), registered dental hygienists (RDHs), and certified nurse midwives (CNMs). The two statutory programs are administered as a single health professions loan assistance program (HPLAP).

GOVERNOR

Transfer the health professions loan assistance program (HPLAP) and the Rural Health Development Council (RHDC) to the University of Wisconsin Medical School, Office of Rural Health (ORH). Two program revenue appropriations and \$488,700 PR annually for administering the program would be deleted under Commerce. Annual expenditure authority of \$483,800 PR (the amount transferred from Commerce, minus an 1% across-the-board reduction) would be provided through a newly created physician, dentist and health care provider loan assistance appropriation under the University of Wisconsin. The source of program revenues would continue to be from tribal gaming revenues. A second program revenue appropriation would be created for penalties and balances transferred from Commerce, and could also be used for loan repayments.

DISCUSSION POINTS

1. Economic impact studies show that good local health care services improve a community's ability to attract new businesses and new residents, and, as a result, create local jobs. Rural health organizations employ people, purchase products and services from local and area businesses, create additional and secondary employment, and add stability to the economic base of the community. There are three major roles for health care in rural economic development: (a) as a contributor to the local economy; (b) as an economic base industry attracting external dollars; and (c) as a factor to recruit businesses and workers to the community (Scorsone, 2001). Research for the National Center for Rural Health Works indicates that between 10% to 15% of the jobs in many rural counties are in the health care sector (Doeksen, Cordes, and Shaffer, 1992). In one rural county, for each dollar spent in the health care sector an additional \$0.47 was created throughout the rural community from direct (business) and indirect (household) spending (Doeksen and Schott, 2003). A study of rural hospitals in Oklahoma found that the hospitals' 169 employees and \$3.95 million payroll generated an additional 152 jobs in the community and an additional \$2.7 million in local personal income (Eilrich and St. Clair, 2000).

2. Primary care physicians and nurses are a major part of the health care system. In most rural areas, they are principal providers of local health care services. They also contribute to their communities through educational programs promoting healthy lifestyles. Economically, some health care professionals hire and pay staff for clinics, and provide outpatient services to the local hospital. One study found that a rural physician generated approximately \$1.5 million in revenue, \$0.9 million in payroll (wages, salaries, and benefits), and created 22 local jobs (Eilrich, Doeksen and St. Clair, 2007).

3. The physician loan assistance program and Rural Health Development Council (RHDC) were created in 1989, in Commerce, under the provisions of 1989 Wisconsin Act 317. The health care provider loan assistance program was created under the provisions of 1993 Wisconsin Act 16 (the 1993-95 biennial budget act), and dentists and dental hygienists were added to the program by 2003 Wisconsin Act 33 (the 2003-05 biennial budget act).

4. The HPLAP provides loan repayments for physicians, dentists, and certain other health care professionals who practice in designated health professional shortage areas. Specifically, the program repays loans for physicians, dentists, nurse practitioners, physician assistants, registered dental hygienists, and certified nurse midwives. To participate in the program, the health care professional must enter into a written agreement with Commerce to practice at least 32 clinic hours per week, and 45 weeks per year for three years in one or more eligible practice areas in the state. The health care professional must agree to treat patients who are insured, or for whom health benefits are payable under Medicare, medical assistance (MA), or other government programs. The health care professional is eligible for loan repayments from federal matching funding if the individual meets the following requirements: (a) agrees to practice at a public or private nonprofit entity in a health professional shortage area or dental health shortage area as defined under federal law; (b) accepts Medicare assignment as payment in full for services or articles provided; and (c) uses a sliding fee scale or a comparable method of determining payment arrangements for patients

who are not eligible for Medicare or medical assistance and who are unable to pay the customary fee for the physician's services.

An eligible practice area is a health professional shortage area (HPSA), a medically underserved area (MUA), or medically underserved population (MUP). Federal criteria are used to designate these areas, which document areas of medical need in a state, county, or community usually measured against a required minimum number of health care professionals per thousand people in the area. An area or population that is designated a HPSA, MUA, or MUP must be a rational service area for the delivery of medical services, and can be defined in terms of entire counties, groups of contiguous counties, minor civil divisions, or census tracts.

Through the HPLAP program, Commerce currently may repay, on behalf of a physician or dentist, up to \$50,000 over a three-year period in educational loans obtained by the physician or dentist from a public or private lending institution for education in an accredited school of medicine, dentistry, or for postgraduate medical or dental training. The amount of loan repayment cannot exceed 75% of the loan balance. The loans are repaid according to the following schedule: (1) 40% of the principal up to \$20,000 in the first year; (2) 40% of the principal up to \$20,000 in the second year; and (3) 20% of the principal up to \$10,000 in the third year.

Under HCPLAP, Commerce repays, on behalf of health care providers, up to \$25,000 over a three-year period in loans obtained from a public or private lending institution for education related to the health care provider's field of practice. The amount of loan repayment cannot exceed 75% of the loan balance. The loans are repaid according to the following schedule: (1) 40% of the principal up to \$10,000 in the first year; (2) 40% of the principal up to \$10,000 in the second year; and (3) 20% of the principal up to \$5,000 in the third year.

In 2009, loan assistance was provided to eight dentists, five nurse practitioners, four physicians, one certified nurse midwife, and one dental hygienist. Through June, 2009, a total of 217 health care professionals had participated in the programs. Base level funding for the HPLAP program is \$488,700 PR annually in tribal gaming compact revenues. In addition, \$300,000 in annual federal funding is provided.

5. Commerce is statutorily required to contract with the ORH for certain services. The ORH is directed to provide the following services through the contract: (a) advise Commerce and the Rural Health Development Council in identifying eligible practice areas with extremely high needs for health and dental care; (b) assist Commerce in publicizing HPLAP to physicians, dentists, and eligible communities; (c) assist physicians and dentists who are interested in applying for the program; (d) assist communities in obtaining physicians' and dentists' services through HPLAP; and (e) assist the Department with the general operation of the HPLAP.

6. The RHDC consists of the Secretaries of Commerce and Health Services and 13 members appointed by the Governor for five-year terms with the approval of the Senate. The appointed members must include: (a) a representative of the University of Wisconsin School of

Medicine and Public Health; (b) a representative of the Medical College of Wisconsin; (c) a representative of the Wisconsin Health and Educational Facilities Authority (WHEFA); (d) two representatives of private lenders that make loans in rural areas; (e) two representatives of health care facilities located in rural areas; (f) a physician; (g) a dentist; (h) a nurse; (i) a dental hygienist; and (j) a representative of public health services. A representative of the Farmer's Home Administration is also included in the statute; however, no person has ever been appointed in this position.

7. The RHDC is statutorily required to: (a) advise Commerce on matters related to the HPLAP; (b) make recommendations to the Department on ways to improve the delivery of health care in rural communities, and on ways to evaluate the linkages between rural health facilities and economic development; (c) make recommendations on ways to coordinate the policies of state and federal programs pertaining to rural health care delivery; and (d) perform other advisory functions at the request of the Secretary of Commerce related to rural health development.

8. As noted, the Rural Health Development Council would be transferred to the University. The Council would continue its required responsibilities to advise ORH on: (a) matters related to the physician and dentist loan assistance program and the health care provider loan assistance program, and (b) the amount, up to \$25,000, to be repaid on behalf of each health care provider who participates in the health care provider loan assistance program. However, the Council would no longer be required to advise on promulgation of the rules required for the rural hospital loan guarantee program. The bill would also repeal the requirements that the Council make recommendations on the following: (a) ways to improve the delivery of health care to persons living in rural areas of the state that qualify as eligible practice areas; (b) ways to help communities evaluate the linkage between rural health facilities and economic development for purposes of determining the value of local support for rural health facilities; (c) the coordination of state and federal programs available to assist rural health facilities; (d) a rural health initiative for inclusion in a previous budget. Any member who was serving on the Rural Health Development Council on the day before the effective date of the bill would continue to serve as a member of the Council to the later of the term for which the member was appointed, or until his or her successor was appointed and qualified.

On the effective date of the bill, all tangible personal property, including records, of the Department of Commerce that were primarily related to the functions of the Rural Health Development Council, as determined by the Secretary of Administration, would be transferred to the University of Wisconsin System. All contracts entered into by Commerce in effect on the effective date of the bill that were primarily related to the functions of the Rural Health Development Council, as determined by the Secretary of Administration, would remain in effect and would be transferred to the University of Wisconsin System. The University of Wisconsin System would be required to carry out any obligations under such a contract until the contract was modified or rescinded by the University to the extent allowed under the contract.

9. Commerce internally allocates about 0.3 position and \$34,500 to administer HPLAP. Related administrative activities include reviewing, accepting and rejecting funding

recommendations, recommending awards, notifying recipients, drafting and finalizing contracts, setting up distribution of grants, issuing payments, verifying loan repayments, administering day-to-day issues, such as contract suspensions, compiling required federal reports, and applying for the federal grant. Commerce also interacts with ORH staff, and has public duties, including working with other state agencies, the federal government, and the Legislature.

10. Commerce currently has a two-year memorandum of understanding (MOU) with the University of Wisconsin for administrative services from the Office of Rural Health of the Department of Professional and Community Development of the University of Wisconsin Medical School. For 2008-09, Commerce provides \$43,200 to ORH through the MOU.

11. The Wisconsin Office of Rural Health was established in 1975 to address shortages of health services in rural areas. The Office has 7.5 positions, and its annual budget can vary from \$1.8 million to \$3.5 million, depending upon grant funding for specific projects. In general, the Office recruits physicians and dentists for rural clinics and hospitals, provides resources training and technical assistance to rural hospitals and rural health-oriented community coalitions, and researches state, federal, and other sources for news, legislation, and funding related to rural health care, and provides that information to constituents through the ORH website and personal communication. ORH activities related to HPLAP include statewide promotion of the program, assisting interested parties, creating and updating brochures, developing and hosting an online application through the ORH website, assembling applications and sending them to a Review Panel assembled by ORH, developing a ranked list of applicants, and sending the list to Commerce. As noted, for 2008-09 Commerce has a MOU with ORH to provide \$43,200 for administration of HPLAP. The contract funds 0.5 position, meeting costs, such as travel and teleconferences, and communication expenses, such as mailings, graphic design and printing, and online services hosting. ORH also provides direct support to the RHDC including staffing, developing information materials, obtaining speakers for meetings, performing special projects, paying meeting expenses, such as travel, and promoting the Council's work.

12. RHDC responsibilities and activities include advising Commerce on developing, improving, and delivering health care to rural, underserved areas of the state, coordinating state and federal health facility assistance programs, and evaluating the linkage between rural health care facilities and economic development. HPLAP involves the recruitment of physicians, dentists, and other health care providers to serve in medical shortage areas, and in improving rural health care delivery. The Council and HPLAP program are components of state and federal programs and policies designed to improve rural health care delivery. Rural economic development is only one of a number of related policy and program objectives of ORH.

13. Commerce administers financial assistance programs and provides technical assistance to businesses, governmental units, and community-based organizations to support economic development projects in the state. Commerce assistance focuses on job creation and investment in individual state businesses. Department staff expertise includes assisting individual businesses in accessing financing for projects, underwriting and managing business grant and loan portfolios, assisting businesses in marketing products in foreign countries, and marketing Wisconsin

as a place to expand or locate a business. Improving health care delivery in rural areas is not a primary focus of Commerce programs.

14. HPLAP provides federal matching funding for loan repayments if certain conditions are met. A total of \$300,000 is provided annually for this purpose. However, the bill would not transfer this amount to the University. Commerce has indicated that it would work with ORH to ensure the federal funding was available to them. While not recognized in the Chapter 20 appropriation schedule of the statutes, Commerce funds loan repayment grants from the FED continuing appropriation under s.20.143(1)(o). An alternative would be to identify the anticipated transfer of funding to ORH by increasing annual expenditure authority in the UW System appropriation under s. 20.285(1)(m) by \$374,100 in 2009-10 and \$300,000 FED in 2010-11. The transfer for 2009-10 includes funds previously encumbered for future loan repayments (Alternative 2).

15. The statutory appropriation language for the ORH appropriation specifies that the funding is to be used for loan repayments. Under Commerce, this appropriation was used to fund the annual contract with ORH. As noted, Commerce also provides the equivalent of 0.3 position to administer the program, and the Department absorbs this cost. As an alternative, the ORH statutory appropriation language could be modified to provide that the funds be used for loan repayments and associated costs (Alternative 3). However, this could reduce the amount of funds available for PLAP loan awards.

16. Current statutory language requires that the RHDC include one representative of the farmers home administration. As noted, no one has ever been appointed in this position. An alternative would be to delete the statutory requirement that the RHDC include a representative of the farmers home administration (Alternative 4).

ALTERNATIVES

1. Approve the Governor's recommendation to transfer the health professions loan assistance program (HPLAP) and the Rural Health Development Council, along with the associated tribal gaming PR, from Commerce to the University of Wisconsin Medical School, Office of Rural Health (ORH).

2. Approve the Governor's recommendation and recognize the anticipated transfer of federal funding for loan repayments to ORH by increasing annual expenditure authority in the UW System appropriation under s. 20.285(1)(m) by \$374,100 in 2009-10 and \$300,000 in 2010-11.

ALT 2	Change to Bill
	Funding
FED	\$674.100

3. Approve the Governor's recommendation and modify the statutory appropriation

language for the UW System appropriation under s. 20.285(1)(j) to provide that the appropriation could be used to fund loan repayments and associated costs.

4. Delete the requirement that the RHDC include a representative of the farmers home administration.

5. Delete provision and restore \$483,800 PR annually to Commerce. The health professions loan assistance program (HPLAP) would remain at Commerce.

Prepared by: Ron Shanovich