



Legislative Fiscal Bureau

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January 8, 2014

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 454: Primary Care and Psychiatry Shortage Grant Program

Assembly Bill 454 would create a grant program for primary care physicians and psychiatrists who practice in underserved areas of this state. AB 454 was introduced on October 18, 2013, and referred to the Assembly Committee on Health. The Committee held a public hearing on the bill on October 22, 2013. On November 5, 2013, Assembly Amendment 1 was adopted by the Committee by a vote of 9 to 0. AB 454, as amended, was subsequently recommended for passage by the Committee by a vote of 9 to 0. On November 12, 2013, Amendments 1 and 2 to AB 454 were adopted by the Assembly and the bill was passed, as amended, by a vote of 93 to 0. AB 454 was immediately messaged to the Senate and referred to the Joint Committee on Finance on November 14, 2013.

CURRENT LAW

Under current law, the UW System administers a program that provides financial assistance to physicians and psychiatrists who practice in underserved areas. Under the physician and dentist loan assistance program, the UW Board of Regents may repay up to \$50,000 in education loans on behalf of a physician or dentist who agrees to practice in one or more eligible practice areas or dental health shortage areas in this state. For physicians who additionally agree to practice in a rural area, the UW Board of Regents may make loan repayments of up to \$100,000. For the purpose of the physician and dentist loan assistance program, "eligible practice area" is defined a primary care health professional shortage area as determined by the federal Department of Health and Human Services (DHHS), an area that is designated by the DHHS as having a shortage of psychiatric professionals, an American Indian reservation, or trust lands of an American Indian tribe. "Physician" is defined as a physician who specializes in: (a) family practice; (b) general internal medicine; (c) general pediatrics; (d) obstetrics and gynecology; or (e) psychiatry.

To be eligible for the program, the physician or dentist must agree to practice at least 32 clinic hours per week, 45 weeks per year, for three years in an eligible practice area. Physicians

and dentists must also agree to treat patients who are insured by or for whom health benefits are payable under Medicare, medical assistance (MA), or other government programs. Loans to physicians and dentists are repaid as follows: (1) 40% of the principal up to \$20,000 in each of the first and second years; and (2) 20% of the principal up to \$10,000 in the third year. For physicians practicing in rural areas, maximum annual payments are set at \$40,000 for each of the first and second years and \$20,000 for the third year. In 2012-13, 30 physicians and one psychiatrist received loan assistance totaling \$467,800 through the program. The program is funded with a combination of tribal gaming revenues and funds from the critical access hospital fund. Program participants who meet additional requirements may also be eligible for federally-funded loan repayments through the expanded loan assistance program. In 2012-13, program participants received \$221,200 in loan assistance through the federal program.

SUMMARY OF BILL

Assembly Bill 454, as amended, would create a grant program for primary care physicians and psychiatrists who practice in underserved areas of this state and provide \$1,500,000 GPR in 2014-15 for that program in a new, continuing appropriation under the Higher Educational Aids Board (HEAB). The purpose of the program would be to encourage primary care physicians and psychiatrists who complete their graduate medical education in this state to practice in underserved areas. To be eligible to receive a grant through the program, a physician or psychiatrist would have to meet all of the following requirements: (1) practice primary care medicine or psychiatry in an underserved area in this state; (2) have completed a graduate medical education training program in this state with an emphasis on primary care medicine or psychiatry in 2014 or any year thereafter; and (3) not appear on the statewide child support lien docket. Physicians and psychiatrists who are selected to participate in the program would be eligible to receive grants for up to three years.

Under the bill, HEAB would award grants to up to 12 physicians and up to 12 psychiatrists annually. If more than 12 physicians or 12 psychiatrists apply for the grant in any fiscal year, the HEAB Board would select program participants from amongst the applicants based on the order in which the applications were received and the health professional shortage area score of the underserved areas in which the physician or psychiatrist would be practicing. The HEAB Board could allocate no more than \$750,000 for grants to physicians and no more than \$750,000 for grants to psychiatrists. The bill does not specify how grant amounts would be determined nor does it specify a maximum or minimum grant amount. Grants awarded to physicians and psychiatrists would not be subject to the state income tax.

An eligible physician or psychiatrist would apply to participate in the grant program by submitting an application to HEAB. Physicians and psychiatrists would be required to apply prior to accepting employment or any other affiliation in an underserved area in this state and would be permitted to apply for the program while participating in a graduate medical education training program. Physicians and psychiatrists who have been selected for participation in the grant program would be required to submit a claim to HEAB after each year in which the physician or psychiatrist practices in an underserved area in this state and for which a grant is sought. The claim would include the signatures of the physician or psychiatrist and a representative of the practice in which the physician or psychiatrist is employed or otherwise affiliated certifying that

the physician or psychiatrist practiced in an underserved area in this state during the year for which the claim is being submitted. If HEAB determines that the physician or psychiatrist is eligible for a grant based on the claim submitted, then HEAB would award a grant to that physician or psychiatrist.

For the purpose of the proposed grant program, "underserved area" would be defined as an area that is designated by the federal Department of Health and Human Services as having a shortage of medical care professionals, an area that is designated by the Governor and certified by the federal Secretary of Health and Human Services as an area with a shortage of personal health services, or an area designated by the federal Secretary of Health and Human Services as an area with a shortage of personal health services. "Primary care medicine" would be defined as any of the following medical specialties: (a) family practice; (b) internal medicine; (c) pediatrics; or (d) general surgery. "Psychiatry" is defined as including child psychiatry.

HEAB would be required to promulgate rules to administer the grant program including rules specifying the information that a physician or psychiatrist would be required to include in the application for participation in the grant program and in claims. HEAB would be required to submit its 2015-17 biennial budget request to the Department of Administration and the Legislative Fiscal Bureau as though this proposed appropriation had not been made.

Given the similarity between the eligibility requirements for the proposed grant program and the existing physician and dentist loan assistance program, it is likely that some physicians and psychiatrists would be eligible for both programs. The bill would not prohibit a physician or psychiatrist from receiving financial assistance under both programs.

FISCAL EFFECT

The bill would provide one-time funding of \$1,500,000 GPR in 2014-15 for the grant program in a new continuing appropriation under HEAB. These funds would be expended over a number of years; however, the amount of these funds that would be expended in any one year cannot be estimated at this time because the bill does not set a maximum grant amount or proscribe how grant amounts would be calculated. Because the funding is provided on a one-time basis, there would be no ongoing costs associated with the program after the initial \$1,500,000 provided under the bill has been expended.

HEAB has estimated the cost of administering the program at \$3,500 annually and has indicated that these costs could not be absorbed in the agency's existing budget. The bill would not provide any additional funding to HEAB for program administration.

The Department of Revenue submitted a fiscal estimate related to the provision of the bill that would exempt grants awarded through the program from state income taxation. DOR estimates that exempting these grants from the state income tax would reduce state revenues by \$97,000 over the life of the program.

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