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BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

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Senate Bill 393 (as enrolled)

Sponsor: Senator William Sederburg

Senate Committee: Health Policy

House Committee: Public Health

Date Completed: 8-13-90

PUBLIC ACT 16 of 1990**RECEIVED****OCT 08 1990**

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RATIONALE

Reportedly, many communities in Michigan are experiencing a critical shortage of health care professionals. According to the Office of Health and Medical Affairs, as of May 1989, for purposes of Federal physician placements and clinical support, 48 of Michigan's 83 counties were partially or completely designated "health manpower shortage areas" (HMSAs), most of these areas also were designated "medically underserved areas" (MUAs), and applications for the designation of an additional 28 HMSAs and two MUAs were pending. One of the principal reasons given for the shortage is the high percentage of graduates of Michigan's medical schools who leave the State: the Michigan Health Council, a private organization that recruits doctors for small communities, reports that 60% of the graduates are committed to leaving Michigan and another 10% are considering leaving. The Council also reports that 485 openings were registered with its placement service in a two-year period, and it places roughly 75 doctors a year. At the same time, efforts of the National Health Service Corps to place physicians in HMSAs apparently are being curtailed, with few corps doctors remaining to be placed, and Federal support for clinical operations in MUAs will be limited to existing designations. According to the Department of Public Health, the emphasis of Federal efforts will shift from placement programs to medical school loan forgiveness programs, and the focus of future funding will be on providing money to states for the administration of such programs.

In order to address the shortage of health care

professionals, as well as to take advantage of Federal funding opportunities, it has been suggested that Michigan establish a program that would repay school loans for health care professionals.

CONTENT

The bill would create within the Public Health Code the "Michigan Essential Health Provider Recruitment Strategy Act", which would:

- Establish in the Department of Public Health (DPH) the Michigan Essential Health Provider Recruitment Strategy to facilitate the placement and retention of certain physicians, nurses, and physician's assistants in "health resource shortage areas".
- Establish an essential health provider repayment program under which the DPH could pay up to \$25,000 per year, for up to four years, toward the debt or expenses of designated professionals, in exchange for service in a health resource shortage area.
- Require the Department to develop criteria to identify and designate a geographic area, population group, or health facility as a health resource shortage area.
- Establish a minority student grant program and create the "Minority Health Profession Grant Fund".

S.B. 393 (8-13-90)

- **Require the Department to report every two years on the Michigan Essential Health Provider Recruitment Strategy.**

The bill specifies that it would take effect October 1, 1990, but it would not take effect unless, before that date, legislation that contained funding for the proposed program were enacted.

Department Requirements

In operating the Michigan Essential Health Provider Recruitment Strategy, the Department would be required to:

- Recruit and place "designated professionals" (designated physician, designated nurse, or physician's assistant) in health resource shortage areas.
- Coordinate activities in the State with the National Health Service Corps.
- Provide consultation to communities and health resource shortage areas in securing, placing, and retaining designated professionals.
- Perform other duties set forth in the bill, and engage in other activities appropriate to the program's purposes.

The Department could promulgate rules necessary for the implementation of its functions under the bill.

Repayment Program

The Department would be required to administer an essential health provider repayment program for designated professionals who had incurred a debt or expenses as a result of a loan taken to attend a medical school, nursing program for the training of certified nurse midwives or certified nurse practitioners, or physician's assistant program, or as a result of providing services in a health resource shortage area. The Department would be required to give the essential health provider repayment program priority over other programs created under the bill.

The Department each year could repay all or part of a designated professional's debt or expenses up to the amount specified in the bill

for each year, up to four years. The DPH could repay a debt or expenses only for a designated professional who had entered into a written contract with the Department that required him or her to engage in the full-time practice of health care services in a health resource shortage area to which that person had been assigned by the DPH for a period equal to the number of years for which the Department had agreed to make a debt or expense repayment or for two years, whichever was greater.

A debt or expense repayment for fulfilling a service obligation for a particular year would have to be paid in a lump sum at the completion of the service obligation for that year. A designated professional who did not fulfill a service obligation would forfeit his or her right to the debt or expense payment or any part of it for that year, and the Department could void any agreement for further debt or expense repayment in a subsequent year.

In its sole discretion, the DPH could make a debt or expense payment before or during each year of service, if there were extenuating circumstances. The Department also could pay a pro rata amount of an agreed debt or expense repayment to a designated professional or his or her estate if, before completion of the professional's service obligations, the professional died or were unable, by reason of permanent disability, to render the service, or if there were other prevailing circumstances that the DPH considered were a compelling reason to consider the service obligation fulfilled.

For the first year of the debt or expense repayment program, the maximum amount of a debt or expense repayment would be \$25,000 per year. The maximum amount could be increased by 5% for each succeeding year. The DPH could accept funds from any source for the operation of the essential health provider repayment program, and would be required to distribute those funds in a manner consistent with the bill.

Minority Student Grant Program

The DPH would be required to administer a grant program for minority students enrolled in

medical schools, nursing programs, or physician's assistant programs. Only minority students who met the financial resources eligibility standards for Federal student loan programs under Title IV of the Federal Higher Education Act of 1965, would be eligible for a grant under this program. (The Federal program reportedly is available to students who are "extremely educationally disadvantaged" or "extremely financially disadvantaged".)

The Department could award a grant to a minority student enrolled in a medical school who was in training to become a "designated physician" (a physician qualified in one of the physician specialty areas identified in the bill) or to a minority student enrolled in a nursing program or physician's assistant program.

As a condition of the award of a grant, the grant recipient would have to enter into a written contract with the DPH that required the recipient to provide, upon completion of training, full-time health care services in a health resource shortage area to which he or she was assigned by the Department for a period equal to the number of years for which a grant was accepted or for two years, whichever was greater. In awarding grants, the DPH would be required to give priority to students who were residents of the State and were enrolled in a medical school, nursing program, or physician's assistant program in the State. The Department would be required to determine an appropriate grant amount for each academic year for each health care profession.

A person who incurred a service obligation under the minority student grant program and completed the training program for which the grant was awarded but failed to fulfill the service obligation would be required to repay to the DPH twice the amount of all grants the individual accepted plus interest. The interest would have to be at a rate determined by the State Treasurer to reflect the cumulative annual percentage change in the Detroit Consumer Price Index.

A person who incurred a service obligation under the minority student grant program but failed to complete the training program for which the grant was awarded would be required to repay to the DPH the actual

amount of all grants the person accepted under the program. Repayment would have to be made within three years after the repayment obligation was incurred. Repayment amounts would have to be deposited with the State Treasurer and credited to the Minority Health Profession Grant Fund, which would be created as a separate fund in the State Treasury and administered by the Department.

The DPH would be required to deposit amounts repaid under the minority student grant program with the State Treasurer, who would have to credit the amounts to the Fund. The Fund would have to be used to fund grants made under the minority student grant program. The State Treasurer would be required to direct the investment of the Fund money and credit earnings to the Fund. The Department could accept funds for the operation of the grant program from any source and distribute those funds in a manner consistent with the bill's provisions on a minority student grant program.

An obligated person would be considered to have fulfilled the service obligation incurred under the minority student grant program if any of the following occurred:

- Service had been rendered for the obligated period.
- The person died.
- The person was unable to render the service because of a permanent disability.
- The person failed to satisfy the academic requirements for completion of the training program in which he or she was enrolled after having made a good faith effort.
- The person failed to satisfy the requirements for licensure, certification, or other form of authorization to practice the profession for which he or she had been trained.
- There occurred other circumstances that the DPH considered a compelling reason to consider the service obligation fulfilled.

Designated Physician Specialty Areas

For the essential health provider repayment program and the minority student grant program, the DPH could recruit only physicians qualified or students training to become

qualified in one or more of the following designated physician specialty areas: "board certified" (certified to practice in a particular medical specialty by a national board recognized by the American Board of Medical Specialties or the American Osteopathic Association) or eligible for board certification in general practice, family practice, obstetrics, pediatrics, emergency medicine, internal medicine, preventive medicine, or psychiatry.

When enrolling persons in the programs, the DPH could give preference to a person qualified or studying in one or more specific designated physician specialty areas over an individual qualified or studying in another designated physician specialty area.

Service Obligation and Assignment

The DPH would have to determine when a participant in the grant program or essential health provider repayment program would begin to fulfill a service obligation. The Department would be required to prepare and annually revise guidelines for the assignment of designated professionals with service obligations to practice sites located in health resource shortage areas. As a condition for the placement of a designated professional in a health resource shortage area, the DPH could require a reasonable demonstration of the intent and the ability of the community to support and retain a designated professional. A person who participated in the National Health Service Corps Scholarship Program, under the Federal Public Health Service Act, or who had entered into an agreement that limited the person's ability to serve in a Michigan health resource shortage area would not be eligible to receive funds under the minority student grant program or the essential health provider repayment program.

Health Resource Shortage Area

The Department would be required to develop criteria for the identification and designation of a geographic area, population group, or health facility as a health resource shortage area. The criteria could include at least all of the following: infant mortality rate, percentage of population below 100% of the poverty line, percentage of population aged 65 and older, appropriate physician-to-population ratio,

percentage of population eligible for Medicaid, aggregate unemployment rate, percentage of practicing physicians who accept Medicare or Medicaid assignment, geographic proximity of physicians to the resident population, and average time the resident population must travel to obtain physician services from physicians in a designated physician specialty area.

On the basis of these criteria, the Department would be required to identify and designate geographic areas, population groups, and health facilities in Michigan as health resource shortage areas for one or more designated professionals. Each of the following would be considered a health resource shortage area: a health manpower shortage area, a population of an urban or rural area designated as an area with a shortage of personal health services, and a population group designated as having a shortage of personal health services that was located within the State and designated as such under the Federal Public Health Service Act.

The DPH would be required to exercise its discretion in selecting a health resource shortage area for assignment of a designated professional. The Department could establish guidelines for priority among health resource shortage areas in assignments of designated professionals to those areas.

Report to Legislature

The DPH would be required to report biennially to the Legislature, the Governor, the State Health Planning Council, and the Public Health Advisory Council on the status of the Michigan Essential Health Provider Recruitment Strategy for the preceding two years. The report would have to include at least a review of State and Federal legislation, rules, guidelines, and policy directives affecting the health personnel or health resource shortage areas, and recommendations concerning physician specialty areas or other health professions for inclusion in the Strategy based on a determination of the need for various types of health care providers in the State.

Proposed MCL 333.2701-333.2727

FISCAL IMPACT

The bill would have an indeterminate impact on State expenditures. The impact would depend largely on the amounts appropriated each year for the purposes outlined in the bill. If one assumes that in the approximately 50 designated manpower shortage areas in the State, one physician for each area was required to meet the shortage, the cost of a loan repayment of \$25,000 for 50 physicians would be \$1,250,000 for the first year. If it is also assumed that each physician placed would receive the maximum allowable repayment amount and would serve four years, the cost of the fourth year would be approximately \$1,447,000. This estimate does not include the cost of providing loan repayments for nurses and/or physician's assistants; providing minority health professional grants and scholarships; placing nurse midwives; or administering the program.

The Department of Public Health has developed a five-year implementation plan that would fund all aspects of the bill at some level. The first-year cost of the Department's plan would be \$994,000 and would include: loan repayments for 10 physicians; salaries and benefits for four nurse midwives; minority grants/scholarships for nine students; incentive payments for medical student preceptorships; and program administration. The fifth-year cost under the Department's plan would be \$1,588,000.

For Fiscal Year 1990-91, the first year of implementation, \$400,000 GF/GP was appropriated for the program.

ARGUMENTS

Supporting Argument

While the State as a whole has been exporting doctors for 25 years, small Michigan communities are finding it increasingly difficult to recruit them. According to statistics of the American Medical Association, as of December 31, 1986, nearly 58% of Michigan's practicing physicians worked in Wayne, Oakland, and Washtenaw Counties, while two counties had just two physicians each. For patients who have to travel long distances to see a doctor, putting off the inconvenience an office visit could mean detecting a medical problem too

late. The bill would address this situation in three principal ways. First, the bill would create the Michigan Essential Health Provider Recruitment Strategy, which would enable the DPH to enter into a contract with designated health care professionals who incurred a debt or expense as a result of a loan taken to attend medical school, nursing school, or a physician's assistant program, or as the result of providing services in a health resource shortage area, and repay the debt or expense in exchange for service in a designated area. Second, the bill would authorize the DPH to work with communities that were designated shortage areas to recruit and retain designated professionals. Third, the bill would create a grant scholarship program for minority students enrolled in medical school, nursing school, or a physician's assistant program. In these ways, the bill would provide a badly needed springboard to begin addressing the immediate problem of access to care, as well as the long-term need for health care in underseved areas. At the same time, the bill would enable the Department to demonstrate that a formal primary care focus had been established in Michigan, which could assist the State in securing Federal and private resources, and would lead Michigan toward a statewide policy on health personnel resources.

Response: It is not clear why the State should repay the loans of medical students whose education already is significantly subsidized by the State's taxpayers. Reportedly, the State subsidy per student per year for the cost of instruction is \$30,671 at the University of Michigan, \$42,542 at Michigan State University's human medicine school, \$27,256 at Michigan State's osteopathic school, and \$28,843 at Wayne State University. Perhaps all medical students, particularly nonresidents, should be required to perform service in an underserved area or repay some of the State subsidy.

Supporting Argument

Even in areas in which a sufficient supply of health professionals exists, many physicians are reluctant or refuse to serve the underinsured, the uninsured, or recipients of Medicare or Medicaid. According to the DPH, for example, the problem is so severe in Jackson County that women are transported to Washtenaw County for prenatal care, and in Battle Creek, even insured women have not been able to see

a physician until their fourth or fifth month of pregnancy. While Michigan's high malpractice insurance costs frequently are blamed for this problem, the State cannot wait for the issues of malpractice and reimbursement to be resolved. Michigan needs to develop creative mechanisms, such as those proposed in the bill, that enable the State successfully to recruit and retain providers.

Supporting Argument

Among the health care specialties that have been hardest hit by skyrocketing malpractice insurance rates is the practice of obstetrics. While forgiving up to \$25,000 a year for four years would not necessarily help the State retain these specialists, in view of their malpractice rates, the bill would offer an alternative to meeting the need for more obstetricians, as well as family practitioners and other specialists, by providing for the repayment of school loans incurred by certified nurse midwives, certified nurse practitioners, or physician's assistants. At the same time, the bill would address the shortage of nurses that is facing the State.

Supporting Argument

The proposed minority scholarship program is essential if the State is to attract more minorities to health care professions. The Department of Public Health has been involved in the development of two reports that resulted from task forces convened to study infant mortality and minority health, and that both contain strong calls for the recruitment of more minorities. Patients feel more comfortable discussing confidential health care issues with others who appear culturally sensitive to their problems and perceptions.

Supporting Argument

The bill is particularly crucial in view of recent cutbacks in the National Health Service Corps that have severely reduced health care placements in underserved areas. According to the Michigan Primary Care Association, of the approximately 130 doctors in Michigan in community health centers--which provide preventive health care to persons living in HMSAs or MUAs, migrants, the elderly, the homeless, substance abusers, the mentally handicapped, and HIV-infected patients--72 are or were members of the national corps; 19 of these physicians have already left the State, an additional seven are definitely planning to

leave, and the obligation of another 11 will be finished by July 1990. Over 40% of the centers are completely dependent on the national corps program and may be forced to close or curtail their services without the intervention this bill could provide. Further, the proposed program could be more successful in retaining participants than the Federal program, since the Federal program places physicians where they may not want to go. The proposal, however, would involve State-based and -trained physicians who would be more likely to stay where they were placed.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.