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BILL ANALYSIS

Senate Fiscal Agency

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Senate Bill 393

Sponsor: Senator William Sederburg

Committee: Health Policy

Date Completed: 5-2-89

SUMMARY OF SENATE BILL 393 as introduced 5-2-89:

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 and minority student grant program to be administered by the Department.
- Designate conditions and terms for participating in the repayment program or awarding a grant, including completion of a service obligation in a health resource shortage area.
- Require the Department to develop criteria in order to identify and designate a geographic area, population group, or health facility as a health resource shortage area.
- Create the "Minority Health Profession Grant Fund" in the State Treasury to be administered by the DPH, and permit the Department to accept funds for the operation of the essential health provider repayment program.
- Require the Department to report every two years to the Legislature, the Governor, and certain State health agencies on the Michigan Essential Health Provider Recruitment Strategy.

The bill would take effect October 1, 1989.

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 the health resource shortage areas, meaning a geographic area, population group, or health facility designated by the Department, as provided in the bill.
- 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 bill specifies that 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 Department would have to 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 at a site to which that person had been assigned by the Department 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 Department could make a debt or expense payment after six months of service rather than each year, 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 one of the following occurred prior to the completion of the designated professional's service obligation: the designated professional died or was unable, by reason of permanent disability, to render the service, or, there were other prevailing circumstances that the Department 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 would be increased by 5% for each succeeding year, after the first year. The Department 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 Students' Grant Program

The Department would be required to administer a grant program for "minority" students, which would mean Blacks, Hispanics, Native Americans, Asian and Pacific Islanders, and Arab-Americans, enrolled in medical schools, nursing programs, or physician's assistant programs. The Department could award a grant to a minority student enrolled in a medical school and 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 Department 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 Department 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 Department an amount equal to two times 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 Department an amount equal to 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 Department would be required to deposit amounts repaid under the minority student grant program with the State Treasurer, who would be required 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 have to 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 Department considered to constitute 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 Department could recruit only physicians qualified or students training to become qualified in one or more of the following designated physician specialty areas: "board certified" (meaning 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 to participate in the programs, the Department 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 Department 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 Department 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, but would not be limited to, all of the following: infant mortality rate, percentage of population below 100% of the poverty line, percentage of population age 65 and older, appropriate physician to population ratio, percentage of population eligible for Medicaid, aggregate unemployment rate, and percentage of practicing physicians who accepted Medicare or Medicaid assignment.

On the basis of these criteria, the Department would be required to identify and designate geographic areas, population groups, and health facilities 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 Department 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 Department 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 also would have to include, but not be limited to, all of the following: 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 Michigan Essential Health Provider Recruitment Strategy based on a determination of the need for various types of health care providers in the State.

Proposed MCL 333.2701-333.2727

Legislative Analyst: L. Arasim

#### 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.

Fiscal Analyst: P. Graham

#### S8990/S393SA

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.