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FISCAL IMPACT REPORT

ORIGINAL DATE 02/20/09
 LAST UPDATED 03/12/09 **HB** _____

SPONSOR SFC _____

SHORT TITLE Medical Student Conditional Tuition Waiver **SB** CS/CS/593/aSFC

ANALYST Varela

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	None		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$300.0*	\$300.0*	\$600.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

*See Fiscal Impact

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)

Higher Education Department (HED)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendment to SFCS inserts a subsection on page 3, which defines a participant of the program as a New Mexico resident and either a graduate of a New Mexico high school or a graduate of a New Mexico college or university. The amendment also adds a new section that incorporates a repeal date in the bill. The date is January 1, 2020.

Synopsis of Original Bill

This bill creates the Conditional Tuition Waiver for Primary Care Medical Students Act. The Act provides the opportunity for ten students attending the University of New Mexico School of

Medicine (UNM SOM) to have their tuition waived for a period up to five years, and to provide a living stipend if and when funds may become available, under the condition they will provide their service as a licensed primary care physician in an underserved area of New Mexico as defined by the Rural Primary Care Health Care Act.

The Act establishes the program to be administered by the Higher Education Department (HED) in coordination with the UNM SOM. The Act outlines service obligations for those who successfully complete the medical program; outlines the repayment guidelines for those that do not meet their service obligation; and finally details the penalty provisions for those that default on their service and re-payment to the State of New Mexico.

FISCAL IMPLICATIONS

The Act creates a Primary Care Physician Conditional Tuition Waiver Fund; the fund is structured to receive funds from the Legislature, private contributions and receipts from participant repayments.

According to HED, the tuition waiver would be for the cost of tuition and fees for \$15 thousand and a reasonable living stipend of \$15 thousand for a total cost of \$30 thousand per student. This amount for 10 students each year totals \$300 thousand per year not to exceed \$1.2 million (40 students at \$30,000).

In order to fully implement the program, HED recommends increasing appropriations by increments of \$300 thousand. The first year would be \$300 thousand, second year would be \$600 thousand, third year would be \$900 thousand and finally capping out at \$1.2 million, which would allow HED to award 10 waivers each year at \$30 thousand each. Upon the fourth year, an annual recurring appropriation of \$1.2 million would sustain 40 participants each year.

According to HED, this bill states that expenditures from the fund shall be used solely to make waivers to participants in the program and to pay for administrative expenses associated with the program and collection activity on its behalf. Administrative expenses are not defined and there is no administrative expense limit established by the bill.

In the event of a service default, where the participant fails to provide the service and enters repayment status, HED will collect all funds in repayment, deposit them into the conditional waiver fund created by this bill and disburse the funds to future program participants as a stipend.

SIGNIFICANT ISSUES

According to HED, there are two distinct benefits of the proposed Conditional Waiver Program, one for New Mexico and one for the graduating physician. The gain for New Mexico is to have a mechanism in place to gain primary care physicians practicing in the state, while providing an opportunity to program participants to graduate with a reduced medical debt load, which averages \$140 thousand for every graduating medical student. (American Association of Medical Colleges)

HED states that this bill serves to attract individuals and increase the number of students interested in primary care by making it more attractive and viable for them to practice in New

Mexico. In 2008, 2 percent of the 1,200 medical school graduates in the United States planned on going into primary care fields, down 7 percent since 1990 (Journal of the American Medical Association). According to the New Mexico Health Resources, there are 234 primary care vacancies around the state of New Mexico. Primary care physician slots are becoming increasingly more difficult to fill, particularly in rural communities.

This bill would specify that interest be assessed on waiver amounts in the following manner:

- Interest would accrue at eighteen percent per year if studies are completed and no portion of the principal and interest is forgiven;
- Interest would accrue at seven percent per year in all other cases; and
- The maximum period for repayment would be ten years, starting six months from completion of studies or discontinuation of studies.

The bill would require that, if participants in the program complete their course of study and do not meet service obligations, HED assess a penalty of up to three times the principle due, plus eighteen percent interest. HED would be permitted to accept extenuating circumstances for failure to complete the service requirement. Penalties would be collected and remitted to the State Treasury and deposited in the current school fund. HED would be responsible for collecting repayments and maintaining necessary records. There is no appropriation included in the bill. The effective date of the provisions of SB 593 would be January 1, 2010.

DOH reports that it is unclear how the program would interface with other service obligation programs administered by the HED such as the Medical Student Loan for Service Program, which provides similar support for students, and the New Mexico Health Service Program which also provides support for primary care residents. There is a need to specify whether a participant in the new program could qualify for other programs, and whether service obligations could be discharged concurrently.

RELATIONSHIP

The bill is related to SB 202, which contains funding support for medical residents at the University of New Mexico.

TECHNICAL ISSUES

DOH reports the following issues:

Section 3.J of the bill may need clarification. In the definitions portion of the bill and in Section 3.I, “loan” is defined as a tuition/stipend waiver where the program participant has failed to meet service obligation requirements. In Section 3.J, however, “loan” appears to be used when describing waiver forgiveness. It would be useful to revise Section 3.J to clarify that each year of approved obligated service would offset one year’s waiver award.

There is some vagueness in the provisions of the bill pertaining to the calculation of interest. Section 3.G.1 specifies that interest would accrue upon completion of a participant’s course of study for all program participants, including those successfully completing obligated service. Section 3.J permits forgiveness of the “amount of the loan”, but does not mention forgiveness of accrued interest amounts. It may be useful to modify Section 3.J to specify that both the waiver amount and accrued interest would be forgiven.

Section 3.K of this bill is somewhat unclear. The first provisions in that section indicate that program participants who fail to provide any obligated service and who do not have extenuating circumstances shall be assessed a penalty of “up to three times the principal due, plus eighteen percent interest”. Subsequently, the same section specifies that in the absence of extenuating circumstances, such program participants would be required to make “immediate payment” of loan, interest and penalty. It would be useful to clarify that loan, penalty and interest repayment would be scheduled over a period of up to 10 years, as indicated elsewhere in the bill.

Section 3.C would limit the number of participants to 10 per year. Under this provision, if all 10 waiver awards were committed to entering medical students, it would be four years until additional awards could be made. It would be useful to determine if the intent of 3.C is to permit 10 new awards each year so that as many as 40 medical students -10 per medical school year - are supported at any one time.

Waiver/loan forgiveness under the bill would be conditioned upon a program participant working as a primary care physician in New Mexico. In contrast to other state programs, this program would permit service in non-underserved parts of the state. It may be useful to limit eligible service under the program to primary care underserved areas in New Mexico.

The definition of primary care used in this bill is different from the definition used by the Federal government for its service obligation programs. Both Federal programs and the program proposed in this bill include family medicine, general pediatrics and general internal medicine in the definition of primary care. The Federal government’s definitions also include obstetrics/gynecology as part of primary care. It may be useful to modify the definition in the bill to conform to the federal definition.

Unlike other New Mexico service obligation programs, the provisions of the bill would not limit the tuition waiver program to New Mexico residents. It would be useful to clarify if the intent is to open the program to all School of Medicine students or only to students from New Mexico.

OTHER SUBSTANTIVE ISSUES

According to HED, for the 2008-2009 award period, there were 232 applicants for the Health Professional Loan Repayment Program (HPLRP), up from 92 applicants the previous year, thus demonstrating a willingness to serve in exchange for strong support through incentive programs designed to increase their desire to work in healthcare fields where large shortages exist. HPLRP repays medical loan debt, up to \$25 thousand per year, for those willing to serve in a healthcare shortage community for up to two years.

PV/svb:mt