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FISCAL IMPACT REPORT

SPONSOR Kernan/Stefanics **ORIGINAL DATE** 1/24/18
LAST UPDATED 1/25/18 **HB** _____

SHORT TITLE Health Professional Loan Repayment **SB** 10

ANALYST Chilton

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20		
NFI	\$391.4	\$391.4	Recurring	Physician Excellence Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	\$391.4	\$391.4	\$792.8	Recurring	Physician Excellence Fund

(Parenthesis () Indicate Expenditure Decreases)

Similar to 2017 Senate Bill 152.

SOURCES OF INFORMATION

LFC Files

Responses Received From

- Regulation and Licensing Department (RLD)
- Higher Education Department (HED)
- New Mexico Medical Board (MB)
- University of New Mexico Health Sciences Center (UNM HSC)
- Department of Health (DOH)
- Burrell College of Osteopathic Medicine (BCO)
- Human Services Department (HSD)

SUMMARY

Synopsis of Bill

Senate Bill 10 modifies the Health Professional Loan Repayment Act. According to New Mexico Statutes Annotated 1978, Section 21-22D-2, “The purpose of the Health Professional Loan Repayment Act is to increase the number of health professionals in underserved areas of

the state through an educational loan repayment program. The act provides for repayment of the principal and reasonable interest accrued on loans obtained from the federal government or a commercial lender for health education purposes.”

The main focus of the bill is in creating a Physician Excellence Fund, which would augment funds available for the repayment of loans incurred by primary care physicians (the term defined in the bill and including both allopathic (M.D.s) and osteopathic (D.O.s) physicians in the following specialties: family medicine, general internal medicine, obstetrics, gynecology and general pediatrics) practicing in underserved areas of New Mexico. The bill establishes surcharges to licensing fees for all allopathic and osteopathic physicians, specifying that those surcharges, in the amount of \$100 per physician license renewal and \$100 per initial application for osteopathic physicians, be deposited in the Physician Excellence Fund, as would any income derived from investment in the fund. The Physician Excellence Fund would remain separate from the New Mexico Medical Board Fund.

FISCAL IMPLICATIONS

As noted by UNM HSC, this bill should be revenue neutral; all revenue from the \$100 per renewal application and the \$100 for osteopathic physician initial licensure would be directed toward the Physician Excellence Fund, to be disbursed from there to qualifying applicants. According to HED, there are 2416 allopathic physician and 725 osteopathic physician renewals in the average year, and there are 85 new osteopathic physician initial licensures per year, for a total of 3226 physicians whose licenses would be subject to the \$100 surcharge. In addition, there are 500 resident licenses renewed each year and 187 telemedicine renewals each year; the figures in the tables above reflect the total of these numbers, as the bill does not make exceptions for resident and telemedicine licenses. Thus the total would be 3914 subject to the surcharge, yielding \$391,400, which would then be disbursed to eligible applicants, subject to the current \$25,000 limitation per successful applicant, or 16 to 20 per year.

HED manages the New Mexico Health Professional Loan Repayment Program; HED has not noted a fiscal impact to that agency from having to incorporate this additional revenue and to disburse it.

SIGNIFICANT ISSUES

The Physician Excellence Fund would be an addition to the existing New Mexico Health Professional Loan Repayment Program (HPLRP), administered by HED. According to HED, “The purpose of [HPLRP] is to provide repayment for outstanding student loans of practicing health professionals. As a condition of the program, a health professional must make a two-year service commitment to practice full-time in a designated medical shortage area in New Mexico. The HPLRP is a competitive program; in FY17 there were 114 eligible applicants, of which 17 new and 12 renewal awards were issued based on available budget.

The maximum allowable award is \$25 thousand per year. Factors which may affect the award amount include the applicant's amount of student loan debt and available funding for the program. Recipients are eligible for renewal upon completion of a two-year obligation. A committee of health professionals appointed by the NMHED Secretary determines awardees based on geographic area and need; type of medical practice; student loan indebtedness; population served; and other factors.”

As noted by HED above, only 29 applicants could be funded, just 25 percent of the eligible

applicants. The added amounts from the Physician Excellence Fund would increase the number served from 29 to about 45 per year, an increase of 55 percent, which might have a salutary effect on physician recruitment and retention in underserved areas. As further noted by HED, 29 of New Mexico's 33 counties are considered primary care shortage areas in their entirety, and 3 of the remaining 4 have areas within them also qualifying as shortage areas.

The Human Services Department notes that SB 10 does not, however, address the critical shortage in behavioral health practitioners in many parts of New Mexico. In its most recent Strategic Plan, the Behavioral Health Collaborative identified behavioral health workforce shortages as a key challenge for the behavioral health system in New Mexico.¹ The Workforce Committee's report describes those shortages, and in particular the misdistribution of mental health professionals, including psychiatrists.

The bill would appear to assess both D.O.s and M.D.s a \$100 fee on license renewal for deposit into the Physician Excellence Fund, but would only assess \$100 on the initial applications of D.O.s.

The Medical Board states that it "has not seen an influx of primary care physicians going to rural areas regardless of incentives such as these. The NMMB remains concerned that this significant amount of money may not effectuate its intended goal. Instead, what the NMMB has seen is that mid-level practitioners are more likely to move and practice in rural communities. Mid-level practitioners such as physician assistants (who are also regulated by the NMMB), who have general primary care practice ability, are the more likely NMMB licensees to practice in rural areas. Therefore... it may be advisable to also allow NMMB physician assistants to access in the loan repayment program."

Burrell College comments that medical school graduates now encounter debt that averages \$190 thousand and that "medical school debt is also countering efforts to bring much-needed diversity to medicine." The Physician Excellence Fund would move a short distance toward reducing the debt of some students.

ADMINISTRATIVE IMPLICATIONS

UNM HSC notes that "There is an existing loan repayment program with different criteria than this program. The two programs would need to be reconciled."

HED comments that "The timing of distributions into the fund proposed by SB10 will affect when award determinations can be made. NMHED and the Health Advisory Committee sets HPLRP awards prior to the beginning of the fiscal year once the budget has been finalized. Because total revenues into the fund each fiscal year are not exactly known, NMHED may not initiate new awards supported by the fund until FY20."

AMENDMENTS

HSD recommends the addition of a definition of "psychiatrist" and the inclusion of psychiatrists among those who might benefit from the program.

¹ *A Behavioral Health Strategic Plan for System Improvement*, New Mexico Behavioral Health Collaborative January 14, 2016. http://newmexico.networkofcare.org/content/client/1446/FINAL_BHC_StrategicPlan01.14.16.pdf

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

No Physician Excellence Fund would be created. No additional HPRLP awards would be made. New Mexico health profession shortage areas are likely to continue to be underserved.

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