LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 26, 2013

TO: Honorable Kel Seliger, Chair, Senate Committee on Higher Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB143** by Nelson (Relating to programs designed to enhance medical education in this state.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB143, As Introduced: a negative impact of ($24,467,365) through the biennium ending August 31, 2015. An indeterminate amount of additional Federal funds as a result of potential matching funds from a new Delivery System Reform Incentive Payment (DSRIP) project within the Texas Healthcare Transformation 1115 waiver could offset some of these costs.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	($11,739,928)
2015	($12,727,437)
2016	($22,104,092)
2017	($23,220,747)
2018	($29,184,092)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Savings/(Cost) from *Physician Ed. Loan Repayment* 5144
2014	($11,739,928)	$0
2015	($12,727,437)	($3,125,000)
2016	($22,104,092)	($7,500,000)
2017	($23,220,747)	($13,125,000)
2018	($29,184,092)	($20,000,000)

Fiscal Year	Change in Number of State Employees from FY 2013
2014	2.0
2015	2.0
2016	3.0
2017	3.0
2018	3.0

Fiscal Analysis

The bill changes the name of the Primary Care Residency Advisory Committee to the Primary Care Graduate Medical Education Expansion Program Advisory Committee (committee). Under provisions of the bill, the committee would review for the Higher Education Coordinating Board (THECB), applications for approval and funding of the expansion of existing primary care graduate medical education residency training programs or the establishment of new Accreditation Council for Graduate Medical Education or American Osteopathic Association nationally accredited primary care residency programs.

The bill changes the name of the Primary Care Residency Program to the Primary Care Graduate Medical Education Expansion Program. The bill specifies that only primary care residency programs in family practice, general internal medicine, general pediatrics, and obstetrics and gynecology shall be eligible for funds under this program. The bill also modifies the factors the committee will consider in recommending funding under the program. A grant awarded under the program would be used by an existing or new primary care residency program to pay the salaries or resident physicians in an amount not to exceed $15,000 per resident physician.

The bill would require THECB to establish the Primary Care Physician Incentive Program. Under this program, THECB would award incentive payments to medical schools that demonstrate improvement in the graduation rates of physicians who work in primary care in the state following completion of their residency training. The bill would require THECB to establish the Primary Care Innovation Program. Under this program, THECB would award incentive payments to medical schools that develop innovative programs designed to increase the number of primary care physicians in the state. In addition to money appropriated by the legislature, THECB may accept gifts, grants and donations for the purpose of these programs and may use a reasonable amount, not to exceed three percent, to pay administrative costs. Under provisions of the bill, THECB would establish these programs by January 1, 2014 and award grants under these programs no later than September 1, 2014.

The bill amends the Physician Education Loan Repayment Program to include physicians that provide health care services in a location other than a health professional shortage area to a designated percentage of patients who are recipients under the medical assistance program authorized under Chapter 32 of the Human Resources Code or the Texas Woman's Health Program (TWHP) according to criteria established by the board in consultation with the Health and Human Services Commission (HHSC). HHSC would need to develop policy and procedures for verifying the number of Medicaid and/or TWHP clients certain physicians have served and work with THECB to establish the number of Medicaid and TWHP recipients physicians need to see to receive funding and verify physicians meet the established criteria. The board would be required to enter an memorandum of understanding requiring this provision no later than October 1, 2013.

The bill would also provide that HHSC would seek any federal matching funds that are available to support Medicaid Services in the state and deposit these funds in the physician education loan repayment account. These funds would only be available to support loan repayment assistance to physicians that provide health care services to recipients under the medical assistance program authorized by Chapter 32, Human Resources Code and to enrollees under the child health plan program authorized by Chapter 62 of the Health and Safety Code.

Methodology

This fiscal note includes cost estimates for the Primary Care Graduate Medical Education Expansion Program, the Primary Care Physician Incentive Program, the Primary Care Innovation Program and estimates tied to changes to the Physician Education Loan Repayment Program.

The following estimate for the Primary Care Graduate Medical Education Expansion Program assumes an entering cohort in each year to achieve a 1.1 to 1 ratio of Texas first-year entering positions to medical school graduates. Based on information provided by the Higher Education Coordinating Board (THECB), the program will admit 220 resident physicians in Fiscal Year 2014, and will admit 339 resident physicians in fiscal year 2015. Beginning in fiscal year 2016 it is estimated 348 resident physicians would enter the program each year. Each resident will be supported at $15,000, 10% of the estimated $150,000 cost of a resident. Funding for each residency would be maintained for four years. Based on these assumptions costs associated with the program would be $3.3 million (220 X $15,000) in fiscal year 2014, $8.4 million in fiscal year 2015 (339 X $15,000 and 220 X $15,000). The costs would increase to $13.6 million in fiscal year 2016, $18.8 million in fiscal year 2017 and $20.7 million in fiscal year 2018.

For costs associated with the Primary Care Physician Incentive Program, THECB estimated that funding would be provided to the medical schools based on the goal of having 50 percent of medical students enter a primary care residency program, approximately 850 students annually, at an amount of approximately $5,000 per student or $4.3 million per year.

For purposes of this fiscal note, it is assumed that four $1 million, two year grants would be used to support the Primary Care Innovation Program. Costs associated with this program would be $4 million in fiscal year 2014, 2016 and 2018.

Based on estimates provided by THECB it assumed the changes to the Physician Education Loam Repayment Program, would allow 125 new participants in the program. This analysis was based on a similar program, the Children's Medicaid Loan Repayment Program, which was last funded in the 2010-11 biennium. Based on the statutorily defined award amounts for the program of $25,000 for the first year, $35,000 for the second year and $45,000 and $55,000 respectively for the third and fourth year, there would be costs of $3.1 million (125 X $25,000) in fiscal year 2015 in general revenue-dedicated Fund 5144, Physician Education Loan Repayment Program Account. It is also assumed that these physicians would participate in the program for all four years. Beginning in fiscal year 2016, the costs would increase to $7.5 million as a new cohort of 125 is added ($3.1 million) and participants already in the program would receive awards of $35,000 ($4.4 million). The costs would increase as more cohorts are added and participants already in the program receive larger award amounts for the third and fourth year of service.

The Health and Human Services Commission (HHSC) has indicated that they would seek federal matching funds via a federal waiver. If the federal waiver was granted, HHSC assumes the federal government would approve the physician loan repayments as part of a Delivery System Reform Incentive Payment (DSRIP) project within the Texas Healthcare Transformation 1115 waiver. To be eligible, a physician would need to participate in the relevant DSRIP project. HHSC is not able to draw federal funds and transfer into another agency's account. To draw down the federal funding, HHSC must incur an expenditure. With the receipt of Intergovernmental Transfer (IGT) funds, HHSC could incur an expenditure and draw down the federal matching funds for the grant programs. HHSC assumes the federal government would provide Federal Medical Assistance Percentage (FMAP) matching funds and the state share would be from IGT from the THECB. Depending on federal approval, the number of participants in an eligible DSRIP program, and the amount of funding the THECB makes available as IGT to be matched, there could be a significant fiscal impact to Federal Funds at HHSC, but there is not enough information at this time to make that determination. There is no fiscal impact to state funds at HHSC as a result of implementing the bill.

The cost to the Coordinating Board would be in the additional staff required to administer the new and expanded programs in the bill. One Program Director and one Administrative Assistant III would initially be required to implement and maintain the new programs, expanding to include a second Program Director in fiscal year 2016. The total cost for the two FTES, including salary and benefits, is estimated to be $119,928. Beginning in fiscal year 2016, the second program director would be required to administer, manage and monitor the grants. The total costs beginning in fiscal year 2016 for the three FTEs is $189,092. There would also be $50,000 in professional services in the first year of each biennium (2014, 2016 and 2018) associated with contracting with reviewers to evaluate grant proposals under the Primary Care Innovation Program and to hire out of state, nationally recognized experts in graduate medical education to help ensure that the programs are developed appropriately.

Technology

There would be one-time technology costs of $20,000 or $10,000 per FTE in fiscal year 2014 and a one time cost of $10,000 associated with the second program director hired in fiscal year 2016.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission, 720 The University of Texas System Administration, 758 Texas State University System, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

LBB Staff: UP, KK, SK, GO, DEH, ES