

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 178** SLS 11RS 101

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

|                                      |          |                                 |
|--------------------------------------|----------|---------------------------------|
| <b>Date:</b> May 25, 2011            | 11:22 AM | <b>Author:</b> HEITMEIER        |
| <b>Dept./Agy.:</b> Board of Regents  |          | <b>Analyst:</b> Shawn Hotstream |
| <b>Subject:</b> Medical Loan Program |          |                                 |

MEDICAID RE INCREASE SD RV See Note Page 1 of 2

Creates a fund for the purpose of funding the out-of-state tuition of certain students enrolled in certain medical education programs when such medical education programs are not offered in Louisiana. (gov sig)

Proposed law authorizes the Board of Regents to develop and administer The Medical and Allied Health Professional Education Scholarship and Loan Program for students that choose to pursue out of state medical education due to the lack of similar in state education programs, and creates a loan fund in the treasury. Additionally, this bill requires the Board of Regents to provide the following: 1) provide the qualifications of the students and for the medical education programs to be included in the loan program; 2) require that all recipients of scholarship or loan funds, agree in writing to return to the state to practice for a minimum of one and one half year for each year the scholarship or loan is received and to maintain enrollment as a Medicaid provider during their service; 3) enter into agreements with a public trust and public corporation having for its beneficiary the state for the purpose of administering and providing for a loan program to provide low interest loans to students seeking medical education for which there are no associated medical education programs offered in the state, and the public entity may issue bonds, notes, or other obligations to the public;

**Continued on Page 2**

| <b>EXPENDITURES</b> | <b>2011-12</b> | <b>2012-13</b> | <b>2013-14</b> | <b>2014-15</b> | <b>2015-16</b> | <b>5 -YEAR TOTAL</b> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd.      | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Agy. Self-Gen.      | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Ded./Other          | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Federal Funds       | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Local Funds         | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| <b>Annual Total</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>           |

| <b>REVENUES</b>     | <b>2011-12</b> | <b>2012-13</b> | <b>2013-14</b> | <b>2014-15</b> | <b>2015-16</b> | <b>5 -YEAR TOTAL</b> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd.      | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Agy. Self-Gen.      | SEE BELOW      | SEE BELOW      | SEE BELOW      | SEE BELOW      | SEE BELOW      |                      |
| Ded./Other          | INCREASE       | INCREASE       | INCREASE       | INCREASE       | INCREASE       |                      |
| Federal Funds       | INCREASE       | INCREASE       | INCREASE       | INCREASE       | INCREASE       |                      |
| Local Funds         | SEE BELOW      | SEE BELOW      | SEE BELOW      | SEE BELOW      | SEE BELOW      |                      |
| <b>Annual Total</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>           |

**EXPENDITURE EXPLANATION**

This measure establishes a scholarship and loan program administered by the Board of Regents for students who pursue out of state medical education for certain education programs that are not offered in the state. In addition, the bill creates a fund in the treasury (The Medical and Allied Health Professional Education Scholarship and Loan Fund) for the purpose of using proceeds from the fund to provide low interest loans and scholarships to eligible Louisiana residents.

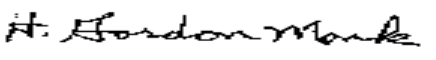
This measure is anticipated to have a minimal fiscal impact on the Board of Regents, as the funding for the scholarship and loan fund will be generated from the Department of Health and Hospitals. Additionally, the BOR currently operates a similar scholarship program (Regional Contract Program) that enables residents of SREB states the opportunity to enroll in out of state health related degree programs not offered in their state. These programs include dentistry, medicine, Optometry, Podiatry, Veterinary Medicine, and Osteopathic medicine (only dentistry and veterinary medicine are offered in public institutions in the state of Louisiana). According to the BOR, the program is not allowing new participants in the Regional Contract Program due to the lack of funding. The specific scholarship and loan program provided for in this measure appears to provide additional requirements on the recipient than the current scholarship program run by the BOS. In addition, the new program provides for low interest scholarships and low interest loans.

**REVENUE EXPLANATION**

In FY 12, this measure may result in the reallocation of a portion of the self generated funds anticipated to be received by the Department of Health and Hospitals through an intergovernmental transfer (IGT) from local public non state hospitals. Alternatively, DHH may require IGT matching funding levels from these hospitals to increase by 25% in order for the departments' self generated fund collections (monies the department anticipates retaining from an IGT) to remain at 15% of the required IGT match amount.

Information received from DHH indicates various non-state public hospitals will put up the match on behalf of some physicians groups in order for the department to make UPL payments to physicians (reimbursement will flow through various hospitals). In FY 11, The Department of Health and Hospitals anticipates receiving approximately 15% on top of the local fund transfers (or intergovernmental transfers) from various non state public hospitals. These transfers (not including the 15% portion) are used by the DHH as a state match source to draw down federal financial participation in order to make supplemental Medicaid payments (or upper payment limit payments) to physicians. This bill appears to either allocate a portion (25%) of DHH's 15% retainage into a newly created fund in the treasury (The Medical and Allied Health Professional Education Scholarship and Loan Fund), or require local fund transfers to increase by an additional 25% for the purpose of depositing that amount into the fund.

**Continued on Page 2**

|   |                            |  |   |
|---|----------------------------|--|---|
| <u>Senate</u>   | <u>Dual Referral Rules</u> | <u>House</u>   |   |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}       |                            | <input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}                       | <br><b>H. Gordon Monk</b><br><b>Legislative Fiscal Officer</b> |
|   |                            | <input type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}                        |   |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} |                            | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |   |

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**CONTINUED EXPLANATION from page one:**

and 4) the BOR may access state, federal, or grant funding for the program.

Proposed law creates the Medical and Allied Health Professional Education Scholarship and Loan Fund. This bill requires the Department of Health and Hospitals to deposit at least 25% of all monies on a quarterly basis (not to exceed \$200,000 in a fiscal year) retained by the department from local intergovernmental transfers which are transferred for the purpose of making supplemental payments to physicians. Funds deposited are generated by DHH through the use of any Medicaid upper payment limit financing mechanism created or maintained for physicians. The monies in the fund shall be used solely for the provision of the Medical and Allied Health Professional Education and Loan Scholarship Program (in amount appropriated by the legislature). All unencumbered and unexpended monies in the fund at the end of the year shall remain in the fund.

**REVENUE EXPLANATION: CONTINUED**

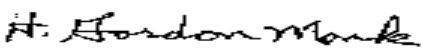
An illustrative example, if the department pays \$15 M in UPL payments to physicians in FY 12, approximately \$200,000 will be deposited into the Loan Fund. This projection is based on the calculations reflected below.

- \$15,000,000 - FY 12 projected Physician UPL payments
- \$4,599,000 - Match required to make \$15 M in UPL payments (FY 12 match of 30.66%)
- \$5,408,824 - Match required to generate additional 15%
  - \$811,588 - Amount retained by DHH from IGT for Physician UPL (15%)
  - \$202,897 - Deduct 25% from DHH's self generated collections (15%) for statutory dedication deposit (\$811,588 x .25)
- \$200,000** - FY 12 deposit into the Loan Fund (the bill provides that no more than \$200,000 can be deposited annually)

Note: Annual deposits into the fund shall be deposited into the fund on a quarterly basis, and can not exceed \$200,000 in any fiscal year.

Note: Any funds that the department anticipates to retain (15% on top of the IGT match amount) will have to be appropriated by the legislature, as this revenue is not included in the FY 12 budget.

Note: Upper payment limit (UPL) payments to physicians represent the difference in what Medicaid reimburses physicians for certain services and commercial payments to physicians (average commercial insurance reimbursements)

|   |                            |  |   |
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|   |                            | <input type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}                        |   |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} |                            | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |   |

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Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}

6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*H. Gordon Monk*

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**Legislative Fiscal Officer**