

## MICHIGAN ESSENTIAL HEALTH PROVIDER PROGRAM EXPANSION

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**Senate Bill 648 as passed by the Senate**  
**Sponsor: Senator Moolenaar**

**Senate Bill 649 as passed by the Senate**  
**Sponsor: Senator Marleau**

**House Committee: Appropriations**  
**Senate Committee: Appropriations**

**Complete to 4-28-14**

### A SUMMARY OF SENATE BILLS 648 AND 649 AS PASSED BY THE SENATE

Senate Bills 648 and 649 as passed by the Senate modify Part 27 of the Public Health Code regarding the Michigan Essential Health Provider program, including the State Loan Repayment Program and the Minority Grant Program. These programs were created under Public Act 16 of 1990 and are administered by the Department of Community Health (DCH).

The State Loan Repayment Program is a state/federal program to assist primary care medical, dental, and mental health providers in the repayment of medical education loans, in exchange for service in designated medically underserved and health professional shortage areas for 2-4 years.

#### **Senate Bill 648 would:**

- Allow eligible dentists to participate in the loan repayment program, codifying a provision which has been included in DCH budget act boilerplate since Fiscal Year 1994-95.
- Revise the maximum annual loan repayment amount per participant to \$40,000, rather than an increasing scale of \$25,000 to \$28,940.
- Remove a 4-year maximum for participation in the loan repayment program.
- Establish a maximum total loan repayment amount of \$200,000 per participant.
- Limit provider group specialty areas that may be given preference by DCH when enrolling participants in the loan repayment program: applicants in general practice, family practice, obstetrics, pediatrics, or internal medicine may be given preference.

#### **Senate Bill 649 would:**

- Allow eligible dentists to participate in the minority grant program.
- Removes a 2-year minimum for the service period in repayment of the minority grant; instead the service period would be equal to the number of years for which a grant is accepted.
- Establish an additional requirement to the biennial report: an assessment of the loan repayment program maximum amounts compared to current student costs.

**FISCAL IMPACT:**

The bills would allow greater flexibility for the use of existing loan repayment program funds by DCH, allowing for increased expenditures per participant of the program. This flexibility recognizes rising medical school graduate debt, which averaged \$175,000 in 2013, an increase from \$50,000 in 1992 when the program began. The bills do not create new or increased costs for either program, except for the additional requirement for the biennial report, which may require a modest amount of staff time. Michigan’s loan repayment program currently supports 92 providers and is funded at \$2,491,300, with a pending transfer to approve an additional \$605,000 of available private funds. There are currently no funds appropriated for the Minority Grant Program.

State funding for the loan repayment program was phased down from 2010 to 2011. However, the program has received increased state funding in Fiscal Years 2012-13 and 2013-14. At this time, the FY 2014-15 DCH budget proposed by the Senate Appropriations Committee includes a state funding increase of \$500,000, and the current proposals of the House and Senate also concur with the Executive Budget on a \$600,000 private funding increase for the program. A recent funding history follows.

**Funding History – DCH  
Michigan Essential Health Provider State Loan Repayment Program**

Fiscal Year	Provider Contracts	GROSS	Fund Sources				
			GF/GP	Federal	Private	Local	State Restr
FY 1999-2000	24	1,229,100	74,100	615,000	40,000	0	500,000
FY 2000-01	36	1,229,100	74,100	615,000	40,000	0	500,000
FY 2001-02	31	1,500,000	345,000	615,000	40,000	0	500,000
FY 2002-03	36	1,449,100	574,100	725,000	150,000	0	0
FY 2003-04	37	1,391,700	545,400	696,300	150,000	0	0
FY 2004-05	29	1,391,700	545,400	696,300	150,000	0	0
FY 2005-06	49	1,391,700	545,400	696,300	150,000	0	0
FY 2006-07	34	1,847,100	545,400	924,000	150,000	227,700	0
FY 2007-08	46	1,847,100	545,400	924,000	150,000	227,700	0
FY 2008-09	92	1,952,100	545,400	924,000	255,000	227,700	0
FY 2009-10	59	1,325,100	231,900	610,500	255,000	227,700	0
FY 2010-11	40	872,700	81,400	436,300	255,000	100,000	0
FY 2011-12	32	872,700	81,400	436,300	255,000	100,000	0
FY 2012-13	68	1,491,300	500,000	736,300	255,000	0	0
FY 2013-14 *	92	2,491,300	1,000,000	1,236,300	255,000	0	0
FY 2014-15 Proposed **		3,091,300	1,000,000	1,236,300	855,000	0	0

\* A legislative transfer request is pending for an additional \$605,000 of available private funds

\*\* Executive Recommendation, House Appropriations Comm. concurs; Senate Comm. adds \$500,000 GF/GP

**BACKGROUND INFORMATION:**

**Federal State Loan Repayment Program Requirements and Funding**

States have flexibility in determining eligible sites, disciplines and service commitment, but program participants must provide a minimum of 2 years of full-time service, or 4 years of half-time service. The federal grant may support up to \$50,000 per year per provider; any award above that amount is the responsibility of the state. The provider loan being paid back must be a government or commercial loan.

Federal State Loan Repayment Grant funds support the loan repayment program and must be matched at a minimum of \$1 for \$1 with non-federal funds. Matching funds are provided by state, local and/or private sources, including the employment sites of provider participants.

**Current Law Note**

Since Fiscal Year 2012-13, budget boilerplate allows DCH to use a portion of the state funds appropriated for the program to reduce the local and private share of loan repayment costs to 25% for primary care physicians, particularly obstetricians and gynecologists (Sec. 709(2), Article IV, Act 59 of 2013).

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- This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.