California Board of
PSYCHOLOGY

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MEMORANDUM

DATE	July 7, 2016
TO	Board of Psychology
FROM	Jason Glasspiegel Central Services Coordinator
SUBJECT	Agenda Item #4(s) – SB 1471 (Hernandez) Health Professions Development: Loan Repayment

Background:

Existing law requires the first $1,000,000 in the Managed Care Administrative Fines and Penalties Fund to be transferred each year to the Medically Underserved Account for Physicians and to be used for purposes of the Steven M. Thompson Physician Corps Loan Repayment Program. Existing law requires all remaining funds to be transferred each year to the Major Risk Medical Insurance Fund and to be used for purposes of the Major Risk Medical Insurance Program. Existing law authorizes the selection committee to fill up to 20% of the available positions with program applicants from specialties outside of the primary specialties, including psychiatry.

The bill would instead require, after the first $1,000,000 is transferred from the Managed Care Administrative Fines and Penalties Fund to the Medically Underserved Account for Physicians and $1,000,000 is transferred to the Major Risk Medical Insurance Fund to be used for the Major Risk Medical Insurance Program, that any amount remaining be transferred to the Medically Underserved Account for Physicians to be used for the Steven M. Thompson Physician Corps Loan Repayment Program, and provide that one-half of these moneys may be prioritized to fund the repayment of loans for those program applicants who are trained in, and practice, psychiatry.

Location: Assembly Appropriations Committee

Status: In Assembly Committee on Appropriations: To Suspense File.

Action Requested:
Review and consideration for a possible position on SB 1471 (Hernandez)

Attachment A is the analysis of SB 1471 (Hernandez)
Attachment B is the language for SB 1471 (Hernandez)
Attachment C is the Assembly Appropriations Analysis of SB 1471 (Hernandez)

CALIFORNIA STATE BOARD OF PSYCHOLOGY

BILL ANALYSIS

BILL NUMBER: SB 1471 **VERSION:** **AMENDED:** 04/21/2016

AUTHOR: HERNANDEZ **SPONSOR:** AUTHOR

BOARD POSITION: NONE

SUBJECT: HEALTH PROFESSIONS DEVELOPMENT: LOAN REPAYMENT

Overview:

This bill amends the disbursement of funds from the Managed Care Administrative Fines and Penalties Fund that are to be transferred each year to the Medically Underserved Account for Physicians in the Health Professions Education Fund and to the Major Risk Medical Insurance Fund.

Existing Law:

1) Establishes the Steven M. Thompson Physician Corps Loan Repayment Program (SMT Program) within the Health Professions Education Fund (HPEF), administered by the Office of Statewide Health Planning and Development (OSHPD), which provides for the repayment of up to $105,000 in educational loans for physicians and surgeons who practice in in Health Professional Shortage Areas (HPSAs) in California for at least three years.

2) Provides for the licensure and regulation of health care service plans (health plans) by the Department of Managed Health Care (DMHC) under the Knox-Keene Health Care Service Plan Act of 1975 (Knox-Keene). Subjects health plans to fines and administrative penalties for failing to comply with specified provisions of Knox-Keene. Requires health plans to pay specified assessments each fiscal year as a reimbursement of their share of the costs and expenses reasonably incurred in the administration of Knox-Keene.

3) Establishes the Major Risk Medical Insurance Program (MRMIP), administered by the Managed Risk Medical Insurance Board (MRMIB), to provide major risk medical coverage to eligible persons who have been rejected for coverage by at least one private health plan.

4) Requires fines and administrative penalties assessed against health plans by DMHC to be deposited into the Managed Care Administrative Fines and Penalties Fund (MCAFPF). Requires those fines and penalties collected up to $1 million to be deposited into the Medically Underserved Account for Physicians in the HPEF for purposes of the SMT Program. Requires any amount over the first $1 million to be transferred to the Major Risk Medical Insurance Fund to be used by MRMIP upon appropriation by the Legislature.

5) Allows the selection committee for the SMT Program to award 20 percent of the available scholarships to program applicants who have practice specialties outside of a primary specialty.

6) Defines primary specialty as family practice, internal medicine, pediatrics, or obstetrics/gynecology.

This Bill:

1) Transfers the first $1 million from the MCAFPF to the Medically Underserved Account for Physicians in the Health Professions Education Fund for use by the SMT program.

2) Transfers the second $1 million from the MCAFPF to Major Risk Medical Insurance Fund for use by MRMIP.

3) Transfers any remaining amounts over the first $2 million to the Medically Underserved Account for Physicians in the Health Professions Education Fund for use by the SMT program, and allows for up to one-half of these new funds to be prioritized for loan repayment for physicians who specialize in and practice psychiatry.

Comments:

Author's Intent.

According to the author, the SMT program was created in response to the physician shortage problem in underserved areas, but funding for this program has been unpredictable and insufficient, with demand exceeding available funding every year. Additionally, through various stakeholder meetings and informational hearings related to the mental health workforce, mounting information, though largely anecdotal, and various media reports highlight the shrinking psychiatry workforce. Added to the lack of providers is the low numbers who are willing to treat patients with insurance—both public health system and commercial market. The current SMT Program currently allows for up to 20% of the available SMT Program funds to be awarded to program applicants from specialties outside of the primary care specialties, including psychiatry, but is annually disbursed among other specialties. This bill will provide much needed funding for the SMT Program to assist with loan repayment for physicians who agree to practice in medically underserved areas of the state for a minimum of three years, as well as prioritizing new funds for those who provide psychiatric services.

Previous Legislation.

SB 20 (Hernandez, of 2013) was substantially similar to this bill. SB 20 was held on suspense in the Assembly Appropriations Committee before being amended to a new purpose on April 9, 2014.

AB 860 (Perea and Bocanegra, of 2013) would have required that, after the first $1,000,000 is transferred each year from the MCAFPF to the Medically Underserved Account for Physicians, $600,000 be transferred each year from the fund to the Steven M. Thompson Medical School Scholarship Account, as specified. The bill would have required that any amount remaining over the amounts transferred to those two accounts be transferred each year to the Major Risk Medical Insurance Fund for purposes of MRMIP. AB 860 was held on suspense in the Assembly Appropriations Committee.

SB 635 (Hernandez, of 2012) would have, upon a finding by the Department of Finance that MRMIP is inoperative, halted transfers of specified revenues from the MCAFPF to the MRMIP program, and instead transferred the funds to a newly created Song-Brown Program Account, which supports training for health care professionals. SB 635 was held on suspense in the Assembly Appropriations Committee.

SB 1379 (Ducheny, Chapter 607, Statutes of 2008) required fines and administrative penalties levied against health plans under the Knox-Keene Act to be placed in the MCAFPF and used,

upon appropriation by the Legislature, for a physician loan-repayment program and MRMIP, instead of being deposited into the State Managed Care Fund. Required DMHC to make a one-time transfer of fine and administrative penalty revenue of $10 million to MRMIP and $1 million to the loan repayment program.

AB 2439 (De La Torre, Chapter 640, Statutes of 2008) mandated the Medical Board of California assess a $25 fee to applicants for issuance or renewal of a physician and surgeon's license. Provided that up to 15% of the funds collected shall be dedicated to loan assistance for physicians and surgeons who agree to practice in geriatric care settings or settings that primarily serve adults over the age of 65 or adults with disabilities.

Support

- California Association of Marriage and Family Therapists
- California Medical Association
- California Psychiatric Association
- County Behavioral Health Directors Association of California
- Medical Board of California

Opposition

None on file

History

06/06/16 Referred to Com. on HEALTH.
06/01/16 In Assembly. Read first time. Held at Desk.
05/31/16 Read third time. Passed. (Ayes 39. Noes 0. Page 4061.) Ordered to the Assembly.
05/27/16 Read second time. Ordered to third reading.
05/27/16 From committee: Do pass. (Ayes 7. Noes 0. Page 4011.) (May 27).
05/20/16 Set for hearing May 27.
05/09/16 May 9 hearing: Placed on APPR. suspense file.
04/29/16 Set for hearing May 9.
04/27/16 Re-referred to Com. on APPR.
04/27/16 Withdrawn from committee.
04/21/16 From committee with author's amendments. Read second time and amended. Re-referred to Com. on HEALTH.
04/15/16 Set for hearing April 20.
04/14/16 From committee with author's amendments. Read second time and amended. Re-referred to Com. on HEALTH.
03/10/16 Referred to Com. on HEALTH.
02/22/16 Read first time.
02/22/16 From printer. May be acted upon on or after March 23.
02/19/16 Introduced. To Com. on RLS. for assignment. To print.

California LEGISLATIVE INFORMATION

SB-1471 Health professions development: loan repayment. (2015-2016)

SECTION 1. Section 1341.45 of the Health and Safety Code is amended to read:

1341.45. (a) There is hereby created in the State Treasury the Managed Care Administrative Fines and Penalties Fund.

(b) The fines and administrative penalties collected pursuant to this chapter, on and after September 30, 2008, shall be deposited into the Managed Care Administrative Fines and Penalties Fund.

(c) The fines and administrative penalties deposited into the Managed Care Administrative Fines and Penalties Fund shall be transferred by the department, ~~beginning September 1, 2009, and annually thereafter,~~ *annually,* as follows:

(1) The first one million dollars ($1,000,000) shall be transferred to the Medically Underserved Account for Physicians within the Health Professions Education Fund and shall, upon appropriation by the Legislature, be used for the purposes of the Steven M. Thompson Physician Corps Loan Repayment Program, as specified in Article 5 (commencing with Section 128550) ~~or~~ *of* Chapter 5 of Part 3 of Division 107 and, notwithstanding Section 128555, shall not be used to provide funding for the Physician Volunteer Program.

(2) ~~Any~~ *Until January 1, 2017, any* amount over the first one million dollars ($1,000,000), including accrued interest, in the fund shall be transferred to the Major Risk Medical Insurance Fund continued pursuant to Section 15893 of the Welfare and Institutions Code and shall, upon appropriation by the Legislature, be used for the Major Risk Medical Insurance Program for the purposes specified in Section 15894 of the Welfare and Institutions Code.

(3) On and after January 1, 2017, and annually thereafter, the second one million dollars ($1,000,000) shall be transferred to the Major Risk Medical Insurance Fund continued pursuant to Section 15893 of the Welfare and Institutions Code and shall, upon appropriation by the Legislature, be used for the Major Risk Medical Insurance Program for the purposes specified in Section 15894 of the Welfare and Institutions Code.

(4) (A) On and after January 1, 2017 any amount over the first two million dollars ($2,000,000), including accrued interest, in the fund shall be transferred to the Medically Underserved Account for Physicians within the Health Professions Education Fund and shall, upon appropriation by the Legislature, and subject to subparagraph (B), be used for the purposes of the Steven M. Thompson Physician Corps Loan Repayment Program, as specified in Article 5 (commencing with Section 128550) of Chapter 5 of Part 3 of Division 107 and, notwithstanding Section 128555, shall not be used to provide funding for the Physician Volunteer Program.

(B) Up to one-half of the moneys deposited into the Medically Underserved Account for Physicians within the Health Professions Education Fund under this paragraph may be prioritized to fund the repayment of loans pursuant to paragraph (2) of subdivision (d) of Section 128553 for those program applicants who are trained in, and practice, psychiatry, under the Steven M. Thompson Physician Corps Loan Repayment Program (Article 5 (commencing with Section 128550) of Chapter 5 of Part 3 of Division 107).

(d) Notwithstanding subdivision (b) of Section 1356 and Section 1356.1, the fines and administrative penalties authorized pursuant to this chapter shall not be used to reduce the assessments imposed on health care service plans pursuant to Section 1356.

~~(e) The amendments made to this section by the act adding this subdivision shall become operative on July 1, 2014.~~

SEC. 2. Section 128551 of the Health and Safety Code is amended to read:

128551. (a) It is the intent of this article that the Health Professions Education Foundation and the office provide the ongoing program management of the two programs identified in subdivision (b) of Section 128550 as a part of the California Physician Corps Program.

(b) For purposes of subdivision (a), the foundation shall consult with the Medical Board of California, Office of Statewide *Health* Planning and Development, and shall establish and consult with an advisory committee of not more than seven members, that shall include two members recommended by the California Medical Association and may include other members of the medical community, including ethnic representatives, medical schools, health advocates representing ethnic communities, primary care clinics, public hospitals, and health systems, statewide agencies administering state and federally funded programs targeting underserved communities, and members of the public with expertise in health care issues.

SEC. 3. Section 128552 of the Health and Safety Code is amended to read:

128552. For purposes of this article, the following definitions shall apply:

(a) "Account" means the Medically Underserved Account for Physicians established within the Health Professions Education Fund pursuant to this article.

(b) "Foundation" means the Health Professions Education Foundation.

(c) "Fund" means the Health Professions Education Fund.

(d) "Medi-Cal threshold languages" means primary languages spoken by limited-English-proficient (LEP) population groups meeting a numeric threshold of 3,000, eligible LEP Medi-Cal beneficiaries residing in a county, 1,000 Medi-Cal eligible LEP beneficiaries residing in a single ZIP Code, or 1,500 LEP Medi-Cal beneficiaries residing in two contiguous ZIP Codes.

(e) "Medically underserved area" means an area defined as a health professional shortage area in Part 5 *(commencing with Section 5.1)* of Subchapter A of Chapter 1 of Title 42 of the Code of Federal Regulations or an area of the state where unmet priority needs for physicians exist as determined by the California Healthcare Workforce Policy Commission pursuant to Section 128225.

(f) "Medically underserved population" means the Medi-Cal ~~program, Healthy Families Program,~~ *program* and uninsured populations.

(g) "Office" means the Office of Statewide Health Planning and Development (OSHPD).

(h) "Physician Volunteer Program" means the Physician Volunteer Registry Program established by the Medical Board of California.

(i) "Practice setting," for the purposes of this article only, means either of the following:

(1) A community clinic as defined in subdivision (a) of Section 1204 and subdivision (c) of Section 1206, a clinic owned or operated by a public hospital and health system, or a clinic owned and operated by a hospital that maintains the primary contract with a county government to fulfill the county's role pursuant to Section 17000 of the Welfare and Institutions Code, which is located in a medically underserved area and at least 50 percent of whose patients are from a medically underserved population.

(2) A physician owned and operated medical practice setting that provides primary care located in a medically underserved area and has a minimum of 50 percent of patients who are uninsured, Medi-Cal beneficiaries, or beneficiaries of another publicly funded program that serves patients who earn less than 250 percent of the federal poverty level.

(j) "Primary specialty" means family practice, internal medicine, pediatrics, or obstetrics/gynecology.

(k) "Program" means the Steven M. Thompson Physician Corps Loan Repayment Program.

~~(l)~~ *(l)* "Selection committee" means a minimum three-member committee of the board, that includes a member that was appointed by the Medical Board of California.

Date of Hearing: June 29, 2016

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Lorena Gonzalez, Chair
SB 1471 (Hernandez) – As Amended April 21, 2016

Policy Committee: Health Vote: 17 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill redirects an additional portion of funds generated from fines and penalties on managed care plans into health professional loan repayment programs, as specified. Specifically, this bill:

1) Limits the amount of funds redirected to the Major Risk Medical Insurance Program (MRMIP) just to the second $1 million in the Managed Care Administrative Fines and Penalties Fund annually (currently, loan repayment programs receive the first $1 million and the MRMIP program receives all funds over $1 million).

2) Deposits any amount over $2 million in the fines and penalties fund to the Medically Underserved Account for Physicians (MUAP) for loan repayment programs, as specified.

3) Authorizes up to half of the amount over the first $2 million deposited into the MUAP to be prioritized to fund the repayment of loans for providers of psychiatric services.

FISCAL EFFECT:

1) This bill appears to conflict somewhat with a recent budget action. The comparison of this bill to current law and to the proposed budget action is shown below.

<table>
<tr><th></th><th>Current law</th><th>2016 Budget Act
(SB 826 (Leno), proposed, intended to be effective until 2019-20)</th><th>SB 1471
(proposed)</th></tr>
<tr><td>First $1 million</td><td>Loan repayment</td><td>Loan repayment</td><td>Loan repayment</td></tr>
<tr><td>Amount between $1 and $2 million</td><td rowspan="2">MRMIP</td><td rowspan="2">DHCS, support of Medi-Cal</td><td>MRMIP</td></tr>
<tr><td>Amounts over $2 million</td><td>Loan repayment</td></tr>
</table>

As a practical matter, in absence of state funding demand for MRMIP, funds could be redirected by statute to support other state needs, including comprehensive health care programs that are currently funded through the GF. Indeed, the administration proposed trailer bill language in 2016 redirecting funds from the Managed Care Administrative Fines and Penalties Fund to offset GF costs for the Medi-Cal program instead of supporting MRMIP. A compromise was reached whereby the 2016 Budget Act, pending gubernatorial approval at the time this analysis was prepared, redirects $2.016 million in 2016-17 that otherwise would be transferred to MRMIP, to the Department of Health Care Services to

offset GF costs for Medi-Cal. Per budget bill language in SB 826 (Leno), the redirection is intended to continue until fiscal year 2019-20. However, it does not appear there are statutory modifications currently under consideration that would effectuate the intended redirection of funds for future years.

Due to the timing of this bill, additional loan repayment awards could not be provided by OSHPD until 2017-18, and technically the transfer could be effectuated July 1, 2017. Thus, the bill certainly conflicts with the intent language included in the budget, but it does not appear to conflict on a technical basis, as the redirection of funds to Medi-Cal is only for 2016-17.

2) If the budget action is not signed into law, and in years 2020-21 and beyond in any case, the bill would simply redirect funds from support of MRMIP to loan repayment programs. Given that long-term enrollment, long-term costs, and costs to reconcile past expenditures for MRMIP still appear uncertain, the reduction in funding for MRMIP could result in unknown potential future risk to the GF, which would become responsible for any MRMIP costs not covered by the program's currently available fund balance.

   Additionally, the Office of Statewide Health Planning and Development would incur costs to administer the additional awards, commensurate with the level of funds transferred to the loan repayment program. Current law allows the fund to pay for administrative costs of up to five percent of the total state appropriation for the program.

COMMENTS:

1) **Purpose.** According to the author, the Steven M. Thompson Physician Corps Loan Repayment Program, funded by the MUAP, was created in response to physician shortages in medically underserved areas. The author notes funding for this program has been unpredictable and insufficient, with demand exceeding available funding every year. Additionally, the author notes this bill will help address a shortage of psychiatric services. This bill is author-sponsored and supported by mental health providers, the Medical Board of California, and local behavioral health agencies.

2) **Background.**

   a) **Managed Care Administrative Fines and Penalties Fund.** This fund is used to deposit various fines and administrative penalties for the licensing and regulation of health care service plans by the Department of Managed Health Care (DMHC). Revenue accumulation to the fund is variable based on the level and timing of enforcement activity and fines and penalties paid in a given year, and revenues transferred from the fund have fluctuated from about $1 million to over $9 million annually over the last five years.

   b) **Major Risk Medical Insurance Program.** MRMIP is a high-risk pool that was originally designed to provide health insurance to Californians unable to obtain coverage in the individual health insurance market because of a pre-existing condition. With the implementation of the federal Affordable Care Act, individuals may not be denied coverage because of a pre-existing condition. MRMIP caseload has declined from 6,570 in 2013 to 1,794 in 2015.

c) **Steven M. Thompson Physician Corps Loan Repayment Program.** This loan repayment program is administered the Health Professions Education Foundation within the Office of Statewide Health Planning and Development (OSHPD). It provides for the repayment of educational loans for physicians and surgeons who practice in medically underserved areas (MUAs) of the state. This program would be the beneficiary of the redirection of fine and penalty revenue.

3) **Prior Legislation.**

a) SB 20 (Hernandez), of 2013, upon a finding by the Department of Finance that MRMIP is inoperative, halted transfers of specified revenues from the Managed Care Administrative Fines and Penalties Fund to the MRMIP program, and instead transfers funds to the loan repayment program, similar to this bill. SB 20 was referred to the Suspense File in this committee in 2013 and not heard on suspense. It was amended to a new purpose on April 9, 2014.

b) AB 860 (Perea and Bocanegra), of 2013, required that, after the first $1 million, is transferred each year from the Managed Care Administrative Fines and Penalties Fund to the MUAP, $600,000 be transferred each year from the fund to the Steven M. Thompson Medical School Scholarship Account, as specified. AB 860 would have required that any amount remaining over the amounts transferred to those two accounts be transferred each year to MRMIF for purposes of MRMIP. AB 860 was held on the Suspense File in this committee.

c) SB 635 (Hernandez) of 2012 was similar to SB 20, but transferred the funds upon a finding that MRMIP is inoperative to a newly created Song-Brown Program Account, which supports training for health care professionals. SB 635 was held on the Suspense File in this committee.

d) SB 1379 (Ducheny), Chapter 607, Statutes of 2008, requires fines and administrative penalties levied against health plans under Knox-Keene to be placed in the Managed Care Administrative Fines and Penalties Fund and used, upon appropriation by the Legislature, for a physician loan-repayment program and MRMIP, instead of being deposited into the Managed Care Fund.

Analysis Prepared by: Lisa Murawski / APPR. / (916) 319-2081