August 12, 2014

TO: Joint Fiscal Committee Members
REP. JANET ANCEL
SEN. TIMOTHY ASHE
REP. CAROLYN BRANAGAN
SEN. JOHN CAMPBELL
REP. MARTHA HEATH
REP. MITZI JOHNSON
SEN. M. JANE KITCHEL
SEN. RICHARD SEARS
REP. DAVID SHARPE
SEN. DIANE SNELLING

FROM: Vermont Area Health Education Centers (AHEC) Program
Liz Cote

RE: FY2015 Budget Rescission Plan Proposal (August 11, 2014) & Loan Repayment for Health Care Professionals

Vermont Educational Loan Repayment (ELR) Program and federal HRSA NHSC State Loan Repayment Program (SLRP)

The Vermont Area Health Education Centers (AHEC) Program respectfully requests reconsideration of the reductions proposed for the Educational Loan Repayment Programs for Health Care Professionals. These loan repayment programs are critical to Vermont's health care delivery system and are currently targeted by a disproportionate amount of the total budget rescission.

Total reduction proposed for loan repayment: $1,170,000 (this is 3.74% of the total $31,280,000 recession plan). Left intact, the *annual* funding for these two (complementary, integrated) loan repayment programs is $1,470,000.

Educational Loan Repayment programs are tools to recruit and retain needed health care professionals to Vermont, including serving rural areas and Medicaid patients. Vermont competes on a national level for its healthcare workforce; these positions require significant education and training that often result in a high level of educational debt. During this time of health care reform unknowns, particularly pronounced in Vermont, along with bordering states that offer higher salaries and incentives, it is becoming increasingly difficult to recruit and retain an appropriate primary care (includes psychiatrists and dentists) workforce.

A study published by Pathman et al of the Sheps Center in NC showed 93 ELR programs in 2010, an increase from 87 in 2007. "The study shows that states recognize the importance of loan repayment and other incentives and were willing to create more programs even during the early, toughest years of the recent recession when states' budgets were stretched thin." All states except Florida, Hawaii, and Mississippi offered at least one program.

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Vermont Educational Loan Repayment (ELR) Programs

Funding for the ELR program peaked in FY09 at $1,460,000; this was reduced to $1,435,000 in the August 2008 budget rescission. The program's funding was further reduced in FY10 to $870,000 where it has remained level funded for six years (FY10-FY15, note: the current $970,000 includes $100,000 from a CDC HIV/AIDs grant). Additionally, the UVM Freeman Educational Loan Repayment funding that worked in partnership (i.e., pooled resources) with the state ELR program for nearly a decade ended in 2011; "replacement" funds have been sought since.

This program has been administered by UVM and AHEC on behalf of the State of Vermont for almost 20 years. 100% if the funds are used for awards and the significant administrative costs (staff salary & fringe, supplies, database and technology needs, legal review, audit costs, etc.) have been paid by other grants, fund raising, and volunteerism.

FY15 Proposed Rescission: Ed Loan Repayment (ELR) for Health Care Professionals $73,967GF $96,033GC <u>$170,000 program impact</u>

The relevance and need for the program (well-documented and discussed in legislative testimony) is growing along with increasing educational costs and corresponding educational debt.

The table below provides an overview and shows the significant educational debt as well as the significant unmet need; funding <u>must</u> increase to respond.

2014 **Snapshot as of March 24, 2014**	Allocation	Maximum annual award allowed	# of Apps received	Range of debt of applicants (lowest to highest)	Total ed debt of all applicants (verified by AHEC)	**% of 2014 allocation to total debt of applicants**	Average (mean) debt of applicants (1)	# **<u>not</u>** awarded	# awarded	**Average (mean) award in 2014**
Primary Care	$445,000	$20,000	176	$15,456-$578,602	$18,080,702	**2.46%**	$131,976	119 (68%)	57 (32%)	**$7,946**
Dentists	$225,000	$20,000	26	$13,572-$414,898	$4,708,962	**4.78%**	$224,236	9 (35%)	17 (65%)	**$13,235**
Nurses	$255,000	$10,000	227	$1,449-$145,423	$7,981,257	**3.19%**	$35,315	175 (77%)	52 (23%)	**$4,904**
Nurse Educators/Faculty	$45,000	$20,000	18	$5,536-$167,822	$1,011,503	**4.45%**	$56,195	14 (78%)	4 (22%)	**$11,250**
TOTAL	**$970,000**		447	$1,449-$578,602	$31,782,424	**3.05%**	$79,061	317 (71%)	130 (29%)	

The $225,000 for Dentists includes an additional $100,000 from CDC HIV/AIDs grant. (1) Removes unknown persons/recruitment applications from this calculation because debt is unknown ($0) at this time

<u>Match for new Federal State Loan Repayment Program via a HRSA National Health Service Corps (NHSC) grant to Vermont</u>

FY15 Proposed Rescission: <u>$500,000 program impact</u> (50% of the $1,000,000 match commitment) from Higher Ed Trust Fund revenue

Recognizing the need to seek additional, supplement loan repayment funds ("replace Freeman funds", expand to respond to needs), AHEC began working with Senator Sanders' Office and HRSA in 2006 advocating for changes in the federal National Health Service Corps funded State Loan Repayment Program (SLRP) to eliminate requirements that preclude Vermont. This effort was further endorsed in the ***2013 Workforce Strategic Plan*** from the Agency of Administration and submitted to the General Assembly per Act 48 Section 12a.

> *<u>Recommendation #4</u>: Based upon input and documentation from the Workgroup, the Secretary of Administration should educate and work with Vermont's congressional delegation to encourage changes in how National Health Service Corp assignees are placed. The delegation should work with other similarly affected states' delegations in this effort.*
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> *<u>Sub-recommendation #1a</u>: Monitor federal and foundation funding opportunities on an ongoing basis. For each funding opportunity the Workgroup will analyze the extent to which it addresses established strategies of the Workgroup, determine the composition of Vermont stakeholders to be engaged and develop proposals as appropriate. Initial analysis of funding opportunities, such as those outlined in the Appendix, should be completed within the first six months of the Workgroup establishment.*
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> *<u>Appendix B, page 46</u>, specifies: National Health Service Corps Recruitment and Retention Assistance*

In early 2014, our Vermont influence in DC showed when the RFP for SLRP grant funding was posted by HRSA and SLRP requirements were such that Vermont was eligible to submit a proposal for funding consideration (application deadline April 29). The grant requires 1:1 non-federal match. The State pledged $1M match ($250,000 per year for each of four years, Act 179 Sec C.106.3) via FY14 Higher Ed Trust Fund revenue. On July 31, Vermont received notice of award. The State is currently proposing a revised commitment of 50% less.

The total funding is optimal to ensure a strong loan repayment program in VT for recruitment and retention needs. Further troubling: What message is Vermont sending to federal funding agencies about its commitment to match as proposed in grant applications? What message is the state sending to partner organizations and grant writers about the reliability of Vermont as a grant partner? Is the state planning to research, solicit and secure the remaining $500,000 in match funds? This is not an undertaking that UVM & AHEC can absorb without additional funding. 100% of the SLRP funds are used, as required by the federal grant, for awards and the significant administrative costs (staff salary & fringe, supplies, database and technology needs, legal review, audit costs, etc.) must be paid by other grants, fund raising, and volunteerism.

The federal funds are greatly needed but are not "replacement" funds for the ELR program. The federal funds are more restrictive than the ELR state only funds. <u>Together</u>, these programs can be leveraged to respond to statewide and local community needs to sustain Vermont's health care delivery system. With these joint funds, the state is investing money to ensure primary health care availability and accessibility in VT communities, as well as contributing to economic viability in these communities. These programs fit with the state's health care reform/workforce/economic development conversations, Hsiao Report, Workforce Strategic Plan, etc.

<u>Alternate Budget Rescission Options to Consider</u>

1. **Do not reduce the loan repayment funds.**
2. **Reconsider the degree of the reductions.**
3. **UVM OPC/AHEC very recently "returned" (did not draw down encumbered funds) $90,069 to VDH for a pilot project that ended on June 30 and did not require the full estimated budget. Can the $90,069 replace/off-set the proposed $73,967 reduction to Loan Repayment?**
4. **The $73,967GF savings results in a $170,000 program reduction due to GC funds. If the $73,967 were taken from the SLFP match, then the program impact would remain $73,967 rather than ballooning to $170,000. State savings remains unchanged but impact on the program is minimized.**

<u>Process</u>

I am disappointed with this hurried budget rescission effort because it lacked appropriate communication, transparency and a collaborative approach for seeking solutions to a difficult problem. Nobody celebrates budget reductions and we each advocate according to our programs and roles. In the end, tough decisions are made. With that acknowledged, often there is no "good or right" answer, but I think working together is the way to arrive at the "best" answer, given current realities. As a long-time collaborator with the State on the loan repayment programs, I believe that we could have been helpful upfront rather than here now. Had there been upfront disclosure, less fear about what could be disclosed, open, straightforward discussion, and brainstorming of ideas and options, I believe that we could have put forth a better, collective proposal. The current process is not productive and does not engender trust, collaboration, and creative problem solving. I hope we can improve in the future since we are ultimately in this together.

I look forward to working closely with state partners.

Thank you for your time and consideration.

<u>Other support for Loan Repayment</u>

Hsaio Report, Page 117: Unsurprisingly, the most important reason medical residents choose specialty practice over primary care practice is financial. Many new physicians going into primary care may actually face expenses higher than their income, between paying for relocation costs and student loan debts. For new physicians, this fact is a substantial disincentive for pursuing a career in primary care.[189] A solution to this problem, then, would be to make primary care more financially attractive to residents, especially in the beginning of their residencies/careers so that they are locked into that choice. Some possible solutions include: Continuing loan repayment programs, making the financial rewards significant.

Hsaio Report, Page 118: The main incentive to increase the number of primary care physicians will have to be financial. Securing the funding, and then making its availability widely known among new physicians (not only from Vermont but also surrounding states) is paramount.
The focus of our recommended investments is to ensure adequate supply of primary care practitioners. However, these same programs could be extended to ensure adequate supply of any specialist or other type of provider with documented shortages. We recommend an annual budget of $50 million to be used to provide financial incentives for recruit and retain physicians and other practitioners in short supply. This budget should also be used as a source of investment to update health care facilities. Not only would this allow Vermonters to access high quality care and facilities, it would also assist in recruiting providers to the state.