

Date of Hearing: April 28, 2021

## ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 882 (Gray) – As Amended April 15, 2021

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

#### **SUMMARY:**

This bill changes eligibility criteria for loan repayment assistance under the Proposition 56 Medi-Cal Physicians and Dentists Loan Repayment Act Program (Loan Repayment Program), specifies the program is funded subject to an appropriation in the annual budget act and repeals the program's January 1, 2026, sunset date.

## FISCAL EFFECT:

- 1) Costs to DHCS are expected to be minor and absorbable (Loan Repayment Program Account, Healthcare Treatment Fund).
  - 2) Significant cost pressure to provide additional appropriations for the Loan Repayment Program and to continue the program beyond the current 2026 sunset date. \$340 million has been invested so far over two budget years (Loan Repayment Program Account, Healthcare Treatment Fund).

## **COMMENTS:**

- 1) **Purpose.** According to the author, this bill ensures the state uses its limited funds to incentivize doctors and dentists to practice in the areas of the state with the greatest need.
  - 2) **Background.** The Loan Repayment Program was established pursuant to SB 849 (Committee on Budget and Fiscal Review), Chapter 47, Statutes of 2018, a health budget trailer bill. DHCS administers the program, called CalHealthCares, through a contract with Physicians for a Healthy California.

CalHealthCares provides loan repayment of educational debt for California physicians and dentists who provide care to Medi-Cal patients. Eligible physicians can apply for up to \$300,000 in loan repayment in exchange for a five-year service obligation. Eligible dentists can apply for a loan repayment up to \$300,000 in exchange for a five-year service obligation or a Practice Support Grant up to \$300,000 in exchange for a ten-year service obligation.

Funding for the program comes from Proposition 56, the California Healthcare, Research and Prevention Tobacco Tax Act of 2016, which appeared on the November 2016 ballot.

Proposition 56 increased the tax on a package of 20 cigarettes by \$2 per pack (for a total tax of \$2.87 per pack), effective April 1, 2017, with equivalent increases on other tobacco products and electronic cigarettes containing nicotine.

Funding for the Loan Repayment Program from Proposition 56 funds consists of \$220 million in 2018-19, and an additional \$120 million in the 2019-20 budget.

- 3) **Program Eligibility and State Audit Recommendations.** SB 849 granted broad authority to DHCS to determine eligibility for loan repayment. It requires DHCS, in developing this criteria, to prioritize ensuring timely access, limiting geographic shortages of services and ensuring quality care in the Medi-Cal program.

According to the established criteria, an applicant must be an active enrolled Medi-Cal provider, maintain a patient caseload comprised of a minimum of 30 percent Medi-Cal beneficiaries and meet several other criteria. Practicing in a federally designated Health Professional Shortage Area (HPSA) or Dental Health Professional Shortage Area is not a requirement, but is considered as part of the scoring matrix used to select loan repayment recipients.

A Bureau of State Audits report notes DHCS awarded tens of millions of dollars to physicians and dentists who practice in areas that do not have shortages, which in their view undermined one of the priorities state law establishes for the use of these funds. According to the State Auditor, in fiscal year 2018-19, DHCS denied the applications of 104 primary care physicians located in such areas, while granting funds to the 79 who were not in a shortage area. CSA recommended DHCS amend its application selection process to require by June 2021 that all participants practice in geographic areas that have shortages of health professionals, and annually verify that participants continue to practice in such areas. DHCS declined to implement this recommendation, citing their compliance with state law in considering whether a provider practices in a shortage area as one of several statutory priorities.

This bill codifies a version of this State Auditor recommendation. Specifically, it requires a provider either practice in a shortage area or practice in a specialty and serve a Medi-Cal patient population where the department has demonstrated a provider shortage exists in the Medi-Cal program, Medi-Cal behavioral health program, or Medi-Cal dental program using one or more quantitative criteria.

It also implements a recommendation that DHCS implement a process to verify Medi-Cal caseloads.

- 4) **Support and Opposition.** Some stakeholders expressed concerns about the version of this bill, prior to amendments to grant more flexibility to DHCS to identify provider shortages. Current support and opposition is unknown.

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