

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2386H.03P
 Bill No.: Perfected HCS for HB 1162
 Subject: Health Care; Physicians; Department of Health and Senior Services
 Type: Original
 Date: March 23, 2023

Bill Summary: This proposal creates provisions relating to a graduate medical education grant program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
General Revenue*	(Could exceed \$1,114,627)	(Could exceed \$2,110,572)	(Could exceed \$3,113,372)	(Could exceed \$4,115,326)
Total Estimated Net Effect on General Revenue	(Could exceed \$1,114,627)	(Could exceed \$2,110,572)	(Could exceed \$3,113,372)	(Could exceed \$4,115,326)

*The medical residency grant program is subject to appropriation. The fiscal impact reflects the cost to fund twenty (20) new residency slots each year. House Amendment 1 removed the count (20) requirement from the bill; however, DHSS and Oversight have continued to use this estimate for fiscal note purposes. The actual fiscal impact could be materially different. This proposal has an emergency clause.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
Medical Residency Grant Program*	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Colleges	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on Other State Funds	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

*General Revenue appropriations and program costs net to \$0; Gifts, grants, bequests, etc., Unknown. Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
Medical Residency Grant Program (DHSS)	Could exceed 1 FTE	Could exceed 1 FTE	Could exceed 1 FTE	Could exceed 1 FTE
Total Estimated Net Effect on FTE	Could exceed 1 FTE	Could exceed 1 FTE	Could exceed 1 FTE	Could exceed 1 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§191.592 – Graduate medical education grant program

Officials from the **Department of Health and Senior Services (DHSS)** state §191.592 of the proposed legislation adds the requirement that the DHSS establish a graduate medical education grant program to award grants to entities operating graduate medical education programs in Missouri. The amount awarded will need to be sufficient to fund twenty (20) residency slots each fiscal year beginning in FY 2024 through FY 2034. The individuals who have their residency funded, even partially, will be required to work in Missouri for three years after completing residency and if the individuals fail to do so, will be required to pay back the funds they received to the entity operating the graduate medical education program who shall return the funds for deposit into the Graduate Medical Education Grant Program fund.

Section 191.592 proposes the establishment of the “Graduate Medical Education Program Fund”; however, no specific revenue is cited and the amount required to fund the minimum of twenty residency slots is unknown. The average cost per student for the University of Missouri system is \$50,000 per year, however, the university system has three campuses and each have differing costs and those costs are not for medical residents. The fiscal impact analysis includes a minimum of \$1,000,000 to \$5,000,000 (\$250,000 per student is the cost calculated from another private program) per resident to cover the residency slots and the applicable expenses associated with the graduate medical education entity operating the graduate medical program. Actual cost will be dependent upon the number of residencies funded and the costs of the residency at the specific institution.

DHSS would be responsible for promulgating all rules and regulations relating to the program and administering the program, which would require creating and reviewing applications, contracts, residency and employment verification forms, making awardee selections, monitoring of entities awarded and monitoring those who receive funding for their residency to ensure all requirements are being met.

To implement this program, the Office of Rural Health and Primary Care would need a minimum of two (2) additional FTE: one (1) Senior Public Health Program Specialist and one (1) Public Health Program Specialist with an average salary within the Division of Community and Public Health (DCPH) of \$63,999 and \$52,016 (respectively) as of March 2023.

It is assumed that the Division of Administration can absorb the costs of this bill with current resources. However, if the workload significantly increased or other legislation was enacted, additional resources would be requested through the appropriation process.

Oversight notes provisions of this proposal (§191.592.2) provide that DHSS shall establish a medical residency grant program to award grants to eligible entities for the purpose of establishing and funding new general primary care and psychiatry medical residency positions and continuing the funding of the new positions for the duration of the funded residency.

Perfected HCS for HB 1162 (with House Amendment #1) provides that the DHSS may promulgate all necessary rules and regulations to create and operate the Medical Residency Grant Program. The perfected version of this proposal no longer contains specific provisions relating to grant recipients who fail to work in Missouri a required period of time after they complete their residency or whether the entity operating the grant program is required to pay back the funds relating to those individuals. However, the current provisions do provide that if a grant-funded position is not filled, the Medical Residency Grant Program Fund is to receive reimbursements from awarded eligible entities who were not able to fill the residency position(s). Oversight assumes a \$0 to unknown amount of funds may be returned to the Medical Residency Grant Program Fund beginning in FY2025 for unfilled grant-funded positions. It is assumed the amounts returned would be less than \$250,000 annually (5 unfilled positions based on DHSS assumptions of a cost of approximately \$50,000 per position per year).

This program is subject to appropriations plus reimbursements from awarded eligible entities who were not able to fill the residency positions and any gifts, contributions, grants or bequests received. Funding for grant-funded residency positions is to be available for three years (3) for residency positions in family medicine, general internal medicine and general pediatrics and for four (4) years for residency positions in general obstetrics and gynecology, internal medicine-pediatrics and general psychiatry is to be available.

This proposal does not contain provisions indicating the number of grant-funded residency positions the DHSS shall award or the amount of those grants. However, DHSS shall expend moneys in the fund (Medical Residency Grant Program Fund) to pay for necessary costs to implement the provisions of the proposal and then to fund grant positions in the following order: 1) for residency positions of individuals in their fourth (4th) year of residency, 2) for residency positions for individuals in their third (3rd) year of their residency, 3) for residency positions for individuals in their second (2nd) year of residency and then 4) for residency positions for individuals in their first (1st) year of residency. Finally, DHSS shall expend funds to establish new grant-funded residency positions at awarded eligible institutions. Therefore, Oversight assumes the DHSS continues to plan to fund 20 grant-funded residency positions as provided for in their response.

Oversight notes the provisions of this proposal provide that no new grant-funded residency positions are to be established after the tenth (10th) fiscal year in which the grants are awarded. Any residency position funded before the 10th fiscal year will continue to be funded until completion of the resident's medical residency. The provisions of this proposal expire on January 1, 2038.

For fiscal note purposes, Oversight assumes a residency program is 3 years and that costs for each new cohort of grants could exceed \$1,000,000 annually (\$50,000 estimate provided by DHSS * 20 residencies = \$1,000,000 annually). Therefore, grants for FY 2024 could exceed \$1,000,000; grants for FY2025 could exceed \$2,000,000 (20 grants for 2nd year of FY2024 awards + 20 grants for FY2025 new awards) and so on. Oversight assumes FY2027 is the first year the grant-funded program is fully implemented as some residency positions will be for four (4) years.

Since entities (colleges and universities) operating graduate medical education programs and receiving the medical residency grants are responsible for paying back grants for unfilled residency positions, Oversight will present \$0 to Unknown income transferred from colleges and universities to the Medical Residency Grant Program Fund beginning in FY2025.

Oversight also assumes the DHSS would not need 2 FTE in the first year or two of the program, but as the program continues could require additional FTE as the number of grant recipients increases. Therefore, for fiscal note purposes, Oversight assumes FTE and related costs could exceed the amounts provided by DHSS for the one (1) FTE Senior Public Health Program Specialist. Oversight, however, assumes DHSS would not need additional rental space for 1 new FTE for this single proposal. Oversight notes, depending on the number of proposals passed during the legislative session that, cumulatively, DHSS may need additional rental space or capital improvements as determined by the Office of Administration, Facilities Management, Design and Construction.

In response to the previous version of this proposal, officials from the **University of Missouri System (University)** stated the proposed legislation could have a positive impact for the University of Missouri. The impact amount cannot be determined.

Officials from the **University of Central Missouri (UCM)** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for UCM.

In response to the previous version of this proposal, officials from **Missouri State University** and **Missouri Western State University** assumed the proposal would have no fiscal impact on their respective organizations.

Oversight does not have any information to the contrary. However, Oversight will reflect an unknown positive fiscal impact for colleges and universities as this proposal may encourage students to enroll in graduate medical education programs.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to the previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** noted many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. **The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs.** However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other colleges were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

Officials from the **Office of the State Treasurer** did not respond to **Oversight's** request for a statement of fiscal impact.

This proposal has an emergency clause.

<u>FISCAL IMPACT – State Government</u>	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
GENERAL REVENUE FUND				
Transfer-out – to Medical Residency Grant Program Fund (\$191,592)	(Could exceed \$1,114,627)	(Could exceed \$2,110,572)	(Could exceed \$3,113,372)	(Could exceed \$4,115,326)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	(Could exceed \$1,114,627)	(Could exceed \$2,110,572)	(Could exceed \$3,113,372)	(Could exceed \$4,115,326)

<u>FISCAL IMPACT – State Government</u> (continued)	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
MEDICAL RESIDENCY GRANT PROGRAM FUND				
<u>Transfer-in</u> – from General Revenue (\$191.592)	Could exceed \$1,114,627	Could exceed \$2,110,572	Could exceed \$3,113,372	Could exceed \$4,115,326
<u>Income</u> – gifts, contributions, grants or bequests.	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Transfer-in</u> – from Colleges and Universities – grant repayments	\$0	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Costs</u> – DHSS (\$191.592)	Could exceed...	Could exceed...	Could exceed...	Could exceed...
Personal service	(\$63,999)	(\$64,639)	(\$66,585)	(\$67,916)
Fringe benefits	(\$39,529)	(\$39,769)	(\$40,497)	(\$40,995)
Equipment and expense	(\$11,099)	(\$6,164)	(\$6,290)	(\$6,415)
Medical education grants	(\$1,000,000)	(\$2,000,000)	(\$3,000,000)	(\$4,000,000)
Total Costs - DHSS	(\$1,114,627)	(\$2,110,572)	(\$3,113,372)	(\$4,115,326)
FTE Change – DHSS	Could exceed 1 FTE	Could exceed 1 FTE	Could exceed 1 FTE	Could exceed 1 FTE
ESTIMATED NET EFFECT ON THE MEDICAL RESIDENCY GRANT PROGRAM FUND	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
Estimated Net FTE Change on the Medical Residency Grant Program Fund	Could exceed 1 FTE	Could exceed 1 FTE	Could exceed 1 FTE	Could exceed 1 FTE

<u>FISCAL IMPACT – State Government (continued)</u>	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
COLLEGES AND UNIVERSITIES				
<u>Income – Colleges and Universities – increase in tuition and fees (\$191.592)</u>	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Transfer-out – to Medical Residency Grant Program Fund from Colleges and Universities – grant repayments (\$191.592)</u>	\$0	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT ON COLLEGES AND UNIVERSITIES	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2028)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Subject to appropriation, this bill requires the Department of Health and Senior Services to establish a medical residency grant program awarding grants to eligible entities establishing and funding new general primary care and psychiatry medical residency positions and continuing the funding of the new positions for the duration of the funded residency.

Funding shall be available for three years for residency positions in family medicine, general internal medicine and general pediatrics. Funding shall be available for four years for residency positions in general obstetrics and gynecology, internal medicine-pediatrics and general psychiatry.

This bill creates the "Medical Residency Grant Program Fund", which will consist of moneys appropriated to it by the General Assembly, reimbursements from awarded eligible entities who were not able to fill the residency position(s) with an individual medical resident(s), and any gifts, contributions, grants or bequests received.

The Department of Health and Senior Services may promulgate any and all necessary rules and regulations for the administration of this bill.

The Department of Health and Senior Services shall expend monies in the medical residency grant program fund in the following order: 1) necessary costs of the department to implement the program, 2) funding of grant-funded residency positions of individuals in the fourth year of their residency as applicable for the residency program they are in, 3) individuals in their third year of their residency, 4) individuals in their second year of their residency, 5) individuals in their first year of their residency, and 6) the establishment of new grant-funded residency positions at awarded eligible entities.

No new grant-funded residency programs shall be established after the tenth fiscal year in which grants are awarded, but any residency position funded may continue to be funded until completion of the resident's medical residency.

The provisions of this proposal expire January 1, 2038.

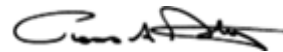
This proposal contains an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Health and Senior Services
Office of the Secretary of State
University of Missouri System
Missouri State University
Missouri Western State University
University of Central Missouri
Joint Committee on Administrative Rules

Julie Morff
Director



Ross Strope
Assistant Director
March 23, 2023