



# Joint Subcommittee On Postsecondary Education Policy and Budget

## 60<sup>TH</sup> Montana Legislature

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## HJR 22 WORKING GROUP (DENTAL STUDY)

### DENTAL INCENTIVE STUDENT LOAN REPAYMENT OPTION

Wednesday, March 12, 2008

At the December meeting of the HJR 22 working group, the members heard a report about the Montana Rural Physicians Incentive Program and expressed interest in considering options for a similar student loan repayment incentive program as a means to attract dentists to rural and underserved Montana communities in order to meet local service needs.

This report is intended to discuss options for the working group to consider that would create a dental incentive student loan repayment program for dentists who practice in underserved Montana communities. It is important to recall that the January 2007 "Dental Training Feasibility Report" that was conducted as per HB 522 of the 2005 legislative session identified the following data points regarding the need for dentists in Montana:

- With 482 active dentists in Montana the dentist to population ratio is 51.5 per 100,000, while the national average is 63.6 dentists per 100,000 population
- Approximately 35 of Montana's 56 counties are identified as "dental health professional shortage areas" (a federal designation) and some counties have no practicing dentists at all

#### History of Rural Physicians Incentive Program

The legislature created the Montana Rural Physicians Incentive Program (MR PIP) during the 1991 regular session of the legislature with HB 974, which was codified at 20-26-1501, MCA, et. seq.

Under the original legislation, physicians practicing in those parts of Montana defined by the Board of Regents, the administrative authority, as having a physician shortage could apply for an annual student debt repayment of up to \$30,000 over a four-year period. The annual loan repayments are based upon continuing practice in the physician shortage area in accordance with a contractual agreement between the Regents and each physician.

Since 1991, funding for the program has come from a surcharge that students pay who are subsidized by the professional student exchange programs for physicians, specifically the WICHE/WWAMI programs. Those students pay a surcharge up to 8 percent of the amount of the state support fee paid on their behalf. Those funds are then placed into a physician incentive special account for use to make student loan

repayments on behalf of eligible physicians. In recognition of this funding source, priority is given to physicians who are graduates of the Montana subsidized WICHE/WWAMI program.

The original legislation also assigned administrative responsibility for the program to the Montana Board of Regents, whose staff in the Office of the Commissioner of Higher Education (OCHE) are allowed to use up to 10 percent of the total surcharge funding for administrative costs.

Since its inception in 1991, MR PIP has been amended on three occasions by the legislature as follows:

- SB 126 of the 1997 legislative session increased the maximum amount of the loan repayment to \$45,000 over a 5 year period (amended 20-26-1503, MCA)
- HB 69 of the 1999 legislative session made some fiscal clean-up changes to many statutes, including this program where what had been an “expendable trust fund” was changed to a “state special revenue account”
- SB 553 of the 2007 regular legislative session again increased the maximum amount of the loan repayment to \$100,000 over a 5 year period and increased the student surcharge that funds the program to an amount up to 16 percent of the state support fee. This bill also phased out the physician income tax credit at 15-30-188, MCA, directing the costs of that program as a means to annually fund the MR PIP program instead

Figure 1 below illustrates the history of MR PIP, including the number of physicians that have participated in the program since the inception of loan repayments. To be accepted for loan repayments, applicant physicians must be a doctor of medicine or an osteopathic medicine degree, be eligible for full licensure in Montana, and be practicing or committee to practicing medicine in a defined underserved area of Montana.

Figure 1

<b>Montana Rural Physicians Incentive Program (MR PIP)</b>										
<b>Historical Data (2000 - 2007)</b>										
Program Year	Physician Applications Received	Physicians Accepted	Physicians Receiving Scheduled Paybacks	Annual Loan Repayment	Student Fee Assessment Medicine	Student Fee Assessment Osteopathic	Total Student Surcharge Collected	Account Ending Fund Balance	Physicians Staying for Two or More Years	Applicants That are Montana Resident Students
2000	*	*	*	\$ 96,341	\$ 912	\$ 548	\$ 96,308	\$ 667,243	*	*
2001	*	*	*	\$ 108,887	\$ 912	\$ 560	\$ 95,408	\$ 680,521	*	*
2002	*	*	*	\$ 154,639	\$ 912	\$ 584	\$ 96,600	\$ 641,701	*	*
2003	*	*	*	\$ 193,665	\$ 912	\$ 604	\$ 97,264	\$ 554,532	*	*
2004	*	*	*	\$ 221,128	\$ 1,896	\$ 1,256	\$ 202,824	\$ 542,496	*	*
2005	*	*	*	\$ 227,902	\$ 1,968	\$ 1,304	\$ 212,496	\$ 539,441	*	*
2006	*	*	*	\$ 201,473	\$ 2,008	\$ 1,328	\$ 217,480	\$ 579,819	*	*
2007	*	*	*	\$ 155,870	\$ 2,048	\$ 1,360	\$ 230,704	\$ 689,362	*	*
<b>Total</b>	107	96	86	\$ 1,359,906			\$ 1,249,084		68	25

\* Data in these categories are not collated on an annual basis so only totals are available

Source: Office of the Commissioner of Higher Education (program administrator)

As figure 1 indicates, a total of 86 physicians have received student loan repayment assistance from MR PIP since its inception and since 2000, the program has been almost totally self-sufficient, showing a total deficit of \$111,000 between loan repayments and revenue from the student surcharge so that by the end of FY 2007 there is an ending fund balance of \$689,000.

### Major Components of a Dentist Incentive Program

The following are among the major components that would be needed for a dentist student loan repayment program, based upon an analysis of the MR PIP as well as programs in other states:

- The historical funding mechanism for MR PIP has been a state special revenue account that is funded from a surcharge paid by medical students who are subsidized by state support fees in the WICHE/WWAMI programs. The current surcharge is set at 16 percent of the support fee amount.

Under this formula, a dental student loan repayment program would generate approximately \$41,000 of revenue per year based upon 12 dental student slots and a support fee of \$21,300 in FY 2009.

- The program should define the maximum loan repayment level that would be allowed over what period of time, and determine the annual payout schedule over that period of time that reaches that payout maximum. MR PIP uses a graduate repayment schedule that pays out every six months and gets larger each year to build the incentive for the physician to remain in the program (see footnote i below).
- The program should define where dentists would need to practice in order to be eligible for loan repayment. This could be based upon the federal definition of the federal health professional shortage area (HPSA) for dentists or other Montana specific criteria. MR PIP legislation delegated the specific geographic criteria of eligibility to the Board of Regents, the state agency given administrative responsibility for the program, because the HPSA designation was not considered accurate in terms of Montana population and geographic distributions.
- The program should define the initial length of time the dentist will need to be in practice before qualifying for loan repayments as well as how long the dentist must remain in practice in order to avoid a penalty of some kind.
- Given that there may be administrative costs, the program may want to identify some percentage of allowable administrative charges that could be levied on the state special revenue account to pay allowable administrative costs. Of course, a part of this is designating the responsible state agency who would administer the program.
- Given that a major existing obstacle to dental care for low-income populations is that many dentists do not accept Medicaid patients, the program may want to require that eligible dentists would have to accept Medicaid in their practice or have a sliding-scale fee basis that would increase access from low-income populations.
- In order to allow ongoing program monitoring, the program may want to require a regular report to the legislature on specific performance measures to be designed by the program. These measures may include metrics such as access to care, retention of dentists (both to completion of the repayment term and beyond), program costs, the number of dentists participating, etc. In addition, it may be important for the program and the report to identify the ideal target number of dentists needed in Montana to address the needs in order to know when the problems in dental care have been “solved.”
- An existing federal loan repayment program, the National Health Service Corps (NHSC) also provides an opportunity for student loan repayment awards of up to \$25,000 per-year for dentists who serve a minimum of two-years in underserved communities. Most states do not allow dentists to participate in both the NHSC loan repayment program as well as a state program.

## **Projected Fiscal Impact of Dental Incentive Student Loan Repayment Program**

Considering the current level of 86 physicians participating in MR PIP repayment, that there are only 27 percent as many dentists in Montana as doctors (27 percent of 86 is 23), and based upon the experience of other state dental student loan repayment programs (see NCSL report page 9), it seems reasonable to project that there would be an average of 5 to 7 dentists participating in a Montana student loan repayment program at any time.

Assuming that the dental program was to replicate the benefit level of MR PIP (\$100,000 over five years), given that the costs of a medical versus a dental education are equivalent, and that a dental repayment would also use the graduated repayment schedule equivalent of MR PIP<sup>i</sup>, it is reasonable to project the costs of this program as follows:

- Year one = \$50,000 to \$70,000
- Year two = \$75,000 to \$105,000
- Year three = \$100,000 to \$140,000
- Year four = \$125,000 to \$175,000
- Year five = \$150,000 to \$210,000

It took two years for the MR PIP program to begin making student loan repayments after its inception, though the program began collecting student surcharge fees immediately. Therefore, assuming a two-year lag before payments were to begin, the fund balance of a repayment account would be approximately \$82,000 (see above revenue projections) before the year one costs would begin. With regular annual revenue of \$41,000, if the number of dentists in the repayment program were to reach the high end of this projection, at six, then the program would not be able to meet the repayment schedule before the end of year two.

Assuming that this level of ongoing funding would not be sufficient to meet the projected student loan repayment costs, there are a number of potential options, including:

- Limit repayment levels to the amount of available funding by pro-rating repayments
- Limit the number of participants each year
- Increase the number of dental student slots beyond the existing number of 12, which would increase revenue
- Request an ongoing general fund appropriation to support the program
- Request a one-time-only general fund appropriation to seed the loan repayment account that would then generate interest earnings going forward (e.g. assume approximately 5.5 percent annual return rate)
- Request a general fund appropriation to seed the loan repayment account, as above, but require that the initial general fund appropriation would be reverted when a target sustainable fund balance for the account is reached

Related to administrative costs and considerations of creating a dentist student loan repayment program, officials from the Office of the Commissioner of Higher Education (OCHE) have indicated that they believe this program could be administered without any additional administrative costs as their existing staff could absorb these additional functions with no new funding.

Therefore, the only fiscal cost would be the projected costs of actual loan repayments.

## **Results from Other State Dentist Student Loan Repayment Programs**

According to a 2005 publication from the National Conference of State Legislatures (NCSL),<sup>ii</sup> there are state funded student loan repayment programs for dentists in 25 states. While the specific components and the outcomes vary from state to state, this survey report concludes:

“Early findings suggest that state loan repayment programs are a cost-effective way to improve access to oral health services in underserved communities. These programs result in more providers treating more patients who otherwise would not have received dental care. Although they are making progress, the demand for services far exceeds the capacity of these programs to reach every individual in need. In short, although they are making inroads, these programs often are not operated on a large enough scale to close the gap in underserved communities. According to the Center for California Health Workforce Studies, ‘... the programs...have a strong impact on the communities they serve. However, so great is the gulf between what these efforts are able to produce and the growing need for care, that a new, expanded model of addressing this growing public health crisis needs to be considered. Such a strategy should be an amalgam of educational, loan repayment, practice reform, and finance of care.’”

### **Working Group Options:**

If the working group is interested in creating a program for a student loan repayment incentive that targets dentists, the working group may want to consider the following options:

1. Request a bill draft to create a new program that considers the various components outlined above
2. Request a bill draft that would amend the existing Rural Physician Incentive Program (20-26-1501, MCA, et.seq.) to expand the program to include dentists
3. Identify a funding mechanism for whichever option 1 or 2 above is selected
  - a. Consider the ongoing funding needs based upon student surcharge fees
  - b. Consider start-up funding to seed the program
4. Do nothing at this time.

Respectfully submitted:

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<sup>i</sup> The anticipated graduated loan repayment schedule for the new MRPIP program, which will take effect July 1, 2009, is anticipated as follows:

- Year 1 - two payments at six month intervals of \$5,000 EA (\$10,000 Total)
- Year 2 - two payments at six month intervals of \$7,500 EA (\$15,000 Total)
- Year 3 - two payments at six month intervals of \$10,000 EA (\$20,000 Total)
- Year 4 - two payments at six month intervals of \$12,500 EA (\$25,000 Total)
- Year 5 - two payments at six month intervals of \$15,000 EA (\$30,000 Total)

Total Loan Repayment over the full five years - \$100,000

<sup>ii</sup> State Experience with Dental Loan Repayment Programs, NCSL Forum for State Health Policy Leadership, 2005, (<http://www.ncsl.org/print/health/sedlrp%20.pdf>).