

# THE PHYSICIAN EDUCATION LOAN REPAYMENT PROGRAM

AN ISSUE BRIEF FROM LEGISLATIVE BUDGET BOARD STAFF

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## OBJECTIVE

The physician education loan repayment program offers medical school loan repayment assistance to physicians who practice in health professional shortage areas.

## KEY FACTS

- ◆ Changes made to the state's method of taxing smokeless tobacco during the 81<sup>st</sup> Regular Session created a new revenue stream dedicated to the program, made the program more competitive with loan repayment incentives in other states, and increased its participation.
- ◆ Participating physicians can earn up to \$160,000 in loan repayment assistance by practicing in one of the state's shortage areas for four years.
- ◆ After increasing repayment amounts in 2009, 145 new physicians joined the PELRP during the 2010–11 biennium. They served in 70 different counties, 33 of which were rural.
- ◆ Due to reduced appropriations, no new physicians were accepted into the program during the 2012–13 biennium.
- ◆ Beginning with the 2012–13 biennium, the PELRP has been funded exclusively out of General Revenue-Dedicated Fund accounts.

## STATUTORY REFERENCES

Texas Education Code, Chapter 61

Texas Tax Code, Chapter 155

Texas' Physician Education Loan Repayment Program (PELRP) helps physicians repay their medical school loan debt in exchange for a term of service practicing in a health professional shortage area (HPSA). An HPSA is a region of the state with a doctor-to-population ratio below 1:3,500. A physician participating in the program is required to accept Medicaid and Texas Children's Health Insurance Program (CHIP) patients and prohibited from denying services based on a patient's inability to pay.

## LEGISLATIVE HISTORY

The PELRP was established by legislation enacted by the Sixty-ninth Legislature in 1985 to address the shortage of primary care physicians in the state's rural and economically depressed areas.

Prior to the 81<sup>st</sup> Regular Session, in 2009, the PELRP was funded by General Revenue Funds and a 2 percent set-aside from medical school tuition payments (Fund 542). The program was appropriated approximately \$2.1 million for the 2008–09 biennium. At the time, physicians serving in a HPSA area could earn up to \$9,000 in debt relief per year for up to five years. During the 2008–09 biennium, there were 65 physicians under contract to the PELRP, a participation rate below what the appropriated funds could support. THECB staff attributed the PELRP's low participation rate to its repayment rate, which was relatively low compared to loan repayment programs for physicians in other states.

During the 81<sup>st</sup> Regular Session, House Bill 2154 made changes to the taxation of smokeless tobacco to provide a new dedicated source of funding for the program (Account 5144). The program was appropriated approximately \$25.4 million for the 2010–11 biennium, \$22.0 million of which was revenue from the smokeless tobacco tax. That appropriation also included approximately \$3.0 million in annual and carried-forward tuition set-aside funds and approximately \$394,000 in undedicated General Revenue Funds.

HB 2154 also set new, higher loan repayment amounts for each year of service in a shortage area. These new reimbursement amounts made the PELRP competitive with similar loan repayment programs in other states. Participating physicians would agree to practice for four years and be eligible for up to \$160,000 in loan repayments in graduated annual amounts up to:

- \$25,000 for the first year,
- \$35,000 for the second year,
- \$45,000 for the third year,
- \$55,000 for the fourth year.

During the 2010–11 biennium, two cohorts, totaling 145 new physicians, joined the PELRP. The first cohort, which started its 4-year commitment in 2010, was 102. The second cohort numbered 43 and started serving under the PELRP in 2011. The physicians in these cohorts served in 70 different counties, 33 of which were rural. The retention rate for physicians in

each cohort after their first year was 94 percent and 95 percent. After the first cohort's second full year of service, 88 percent of the original cohort was still serving in a HPSA. Of the 145 new physicians enrolling in the PELRP during the 2010–11 biennium, 87 attended medical school in Texas. Of the remainder, approximately two-thirds of them attended medical school in another state, while the rest attended medical school in another country. Ninety of these physicians did their residency training in Texas, 30 received training in other states, and 2 trained in other countries. Twenty-three did not report their residency training to the Texas Medical Board.

For the 2012–13 biennium, the program received an appropriation of \$5.6 million, all of which was dedicated set-aside funding or smokeless tobacco tax revenue. The agency has indicated that the reduced funding for the 2012–13 biennium had made physicians wary of signing up for four years of the program in 2011. No new physicians were accepted into the program for the biennium, leaving the \$5.6 million appropriation to cover the third and some of the fourth years of service for the first two cohorts under the new rules.

In both the House and Senate versions of the introduced General Appropriations Bill, the PELRP is appropriated \$33.8 million for the 2014–15 biennium. This appropriation would cover four full years of payments to two new cohorts of 100 physicians. None of this appropriation is undedicated General Revenue Funds, though the consolidation of Funds 542 and 5144 make it difficult to estimate how much of the appropriation is from tuition set-asides and how much comes from smokeless tobacco tax revenue.

Fig. 1 shows the funding for the PELRP by method of finance for the last four biennia and the proposed funding for the 2014–15 biennium.

**FIG. 1**  
**FUNDING FOR THE PHYSICIAN EDUCATION LOAN REPAYMENT PROGRAM BY METHOD OF FINANCE, 2006–2015**

BIENNIUM	GENERAL REVENUE FUND	TUITION SET-ASIDE	SMOKELESS TOBACCO	TOTAL GENERAL-REVENUE DEDICATED FUND	TOTAL ALL FUNDS
2006–07	\$394,093	\$1,045,000	NA	\$1,045,000	\$1,439,093
2008–09	\$394,094	\$1,700,000	NA	\$1,700,000	\$2,094,094
2010–11	\$394,094	\$3,002,000	\$22,000,000	\$25,002,000	\$25,396,094
2012–13	NA	NA	NA	\$5,600,000	\$5,600,000
2014–15	NA	NA	NA	\$33,800,000	\$33,800,000

NOTE: After the 81<sup>st</sup> Legislature, Regular Session, the tuition set aside and smokeless tobacco tax revenue were consolidated into one General Revenue Dedicated account.

SOURCE: Legislative Budget Board, Higher Education Coordinating Board.

## USEFUL REFERENCES

Texas Higher Education Coordinating Board webpage for the PELRP: <http://www.hhloans.com/index.cfm?ObjectID=A85AA8AA-0CD1-EDD4-D9379C7C084059FB>

Legislative Budget Board, *Government Effectiveness and Efficiency Report* (2009), Funding Options for the Physician Education Loan Repayment Program, p. 425-430.

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