
OLR Bill Analysis

sSB 405

AN ACT CONCERNING TARGETED HEALTH AREAS

SUMMARY:

This bill establishes a program providing business loans and grants to licensed physicians and physician offices in state-designated Targeted Health Areas (THAs) and authorizes \$10 million in bonds in FY 13 and FY 14 for the program. It requires the Department of Economic and Community Development (DECD) commissioner to designate up to 10 municipalities as THAs based on the bill's criteria and in consultation with the parties the bill specifies.

The commissioner must also administer the loans and grants through a streamlined application process the bill specifies. She may require physicians and physician offices that have received a loan or grant to repay it plus a 5% penalty for relocating out of Connecticut within five years after receiving the assistance. (The period under current law for DECD's other programs is 10 years or the loan term, whichever is longer.)

The bill requires the commissioner to remove a THA designation after five years if a municipality no longer meets the designation criteria. It also requires her to submit biannual performance reports to specified legislative committees.

EFFECTIVE DATE: Upon passage, except the bond authorization takes effect July 1, 2012 and commissioner may begin providing loans and grants on or after October 1, 2012.

§ 1(a) — DESIGNATING THAs

The bill requires the DECD commissioner to designate, within available appropriations, up to 10 municipalities as THAs, which are areas where doctors are eligible for business loans and grants. It

requires her to do so on or after October 1, 2012 and in consultation with the public health and social services commissioners and a representative of the Connecticut State Medical Society.

The DECD commissioner may designate a municipality as a THA if it has a medically underserved population or one with a high chronic disease rate. After designating a THA, the three commissioners and the state medical society representative must identify any medical specialty the THA needs.

§ 2 — FINANCIAL ASSISTANCE

Licensed physicians and physician offices qualify for financial assistance if they provide primary care services in a THA or any medical specialty the DECD commissioner determines it needs. The bill authorizes her to provide the following three types of financial assistance to these physicians and offices: revolving loans, licensed physician hiring incentives (i.e., deferrable or forgivable loans), and matching grants. Table 1 summarizes the applicant priority requirements, eligible expenditures, and terms and conditions for each type of assistance.

Table 1: Summary of THA Financial Assistance

| <i>Program Characteristic</i> | <i>Financial Assistance</i> | | |
|-------------------------------|---|---|--|
| | <i>Revolving Loans</i> | <i>Licensed Physician Hiring Loans</i> | <i>Matching Grants</i> |
| Type of Assistance | Loans | Deferrable or forgivable loans for retaining newly hired physician for at least 12 months | Matching capital grants |
| Priority Applicants | Licensed physicians and physician offices providing primary care services or a medical specialty that best addresses the THA's health needs | Not applicable | DECD must prioritize grant applicants to best address the THA's health needs |
| Eligible | <ul style="list-style-type: none"> • Acquiring medical | <ul style="list-style-type: none"> • Training | <ul style="list-style-type: none"> • New or ongoing |

| | | | |
|----------------------|---|--|--|
| Expenditures | <p>equipment</p> <ul style="list-style-type: none"> • Construction or leasehold improvements • Working capital • Other DECD-approved business expenses | <ul style="list-style-type: none"> • Marketing • Working capital • DECD approved expenses supporting the hiring of licensed physicians | <p>training</p> <ul style="list-style-type: none"> • Working capital • Acquisition of medical equipment • Construction or leasehold improvements • Other DECD-approved business expenses |
| Terms and Conditions | <ul style="list-style-type: none"> • \$10,000-\$100,000 loans • Up to 4% interest • Maximum 10-year term • Loan terms, conditions, and collateral requirements reviewed and approved to best address THA's health needs | <ul style="list-style-type: none"> • \$10,000-\$250,000 loans • Loans deferred or forgiven if borrower retains newly hired physicians for at least 12 months • Loan terms, conditions, and collateral requirements reviewed and approved to prioritize hiring licensed physicians that best meet THA's health needs | <ul style="list-style-type: none"> • \$10,000-\$100,000 grants • Physician offices must match DECD grant |

The commissioner may combine the THA loans and grants with financing and tax credits provided under other programs.

§ 2(a) — ELIGIBILITY

Under the bill, licensed physicians qualify for revolving loans and hiring incentive loans if they practice medicine in a THA and (1) actively provides primary care for adults and children or (2) any

medical specialty the commissioner determines the THA needs. Physician offices also receive these loans and matching grants based largely on the same criteria. An office must be (1) operating in a THA, (2) providing primary care to adults and children or a medical specialty the commissioner determines the THA needs, and (3) up-to-date on all state and local taxes.

§2(c) — APPLICATION PROCESS

The DECD commissioner, in consultation with the Connecticut State Medical Society, must establish and use a streamlined application process to provide THA assistance. She may provide the assistance within 30 days after a licensed physician or a physician office submits an approved application. The commissioner must give priority to those applicants providing primary care service or a needed medical specialty in a THA and do so in a way that best addresses its health needs.

§ 2(b) — CLAWBACK REQUIREMENT

By law, any business that receives economic development assistance must repay the assistance plus 5% of the amount if it relocates within 10 years of receiving the assistance or before the period for repaying the assistance, whichever is longer. The bill shortens the period to five years for a physician or physician office receiving THA assistance, if the commissioner chooses to impose the penalty.

§ 3 — FUNDING

The bill authorizes up to \$5 million in general obligation bonds per year in FY 13 and FY 14 for the THA program. It also specifies the amounts the commissioner may spend from this authorization for each of THA's three components, as shown in Table 2 below.

Table 2: THA Program Bond Allocations

| <i>Component</i> | <i>FY 13</i> | <i>FY 14</i> |
|-------------------------------------|---------------|---------------|
| Revolving Loans | \$2.0 million | \$2.0 million |
| Licensed Physician Hiring Incentive | 1.0 million | 1.0 million |

| | | |
|-----------------|-------------|-------------|
| Matching Grants | 2.0 million | 2.0 million |
| Total | 5.0 million | 5.0 million |

Under the bill, the commissioner must report to the legislature whenever she spends more or less for any type of assistance than the bill specifies for that type. The report must identify the amount spent and how the commissioner divided it among three types of assistance. She must report to Appropriations; Commerce; Public Health; Human Services; and Finance, Revenue and Bonding committees.

§ 1(b) — REMOVING A DESIGNATION

Each THA designation is good for at least five years. Beginning October 1, 2017, the DECD commissioner must, in consultation with the public health and social services commissioners, annually determine if each THA-designated municipality still has a medically underserved population or one with a high chronic disease rate. She may remove the designation from any municipality after five years if it no longer meets these criteria.

§2(g) — REPORTING

Beginning no later than June 30, 2013, the commissioner must submit an biannual THA performance reports to the Appropriations; Commerce; Public Health; Human Services; and Finance, Revenue and Bonding committees. The report must provide data on:

1. the number of THA-based licensed physicians and physicians offices providing primary care or a needed medical specialty that applied for THA assistance,
2. the number of such physicians and offices that received assistance,
3. the amounts and types of assistance they received, and
4. the total number of licensed physicians at THA-based physician offices providing primary care services or a needed medical specialty when they applied for assistance and the total number

they hired.

DECD must include this data in its annual report to the legislature.

COMMITTEE ACTION

Commerce Committee

Joint Favorable

Yea 13 Nay 4 (03/27/2012)