

Bureau of Health Professions

November 6, 1992

To: Officials at Schools Participating in the Health Professions Student Loan (HPSL) Program

Subject: Primary Care Loan (PCL) Program – Policy Memorandum 19

Introduction

This memorandum has been developed by the Division of Student Assistance (DSA) and the Division of Medicine (DM) for Authorizing Officials, Financial Aid Administrator, Fiscal Officers, Deans, and Chairpersons of Departments of Internal Medicine, Pediatrics, Family Medicine, and Preventive/Community Medicine at schools of medicine and osteopathic medicine. Its purpose is to explain certain statutory amendments to the HPSL program which affect schools of medicine and osteopathic medicine. Proper implementation of the amendments described below will require, at a minimum the active involvement of all of the aforementioned officials. We also would encourage those receiving this memorandum to provide copies to other appropriate school officials, including faculty, admissions officers, and other senior level administrators to assure a coordinated effort in determining how the school will respond to these statutory amendments. Copies are being provided to financial aid administrators at other schools participating in the HPSL program for information only.

<u>Topic</u>	<u>Page</u>
Background of Primary Care Loan Program	2
PCL Program Provisions	3
Establishment of the PCL Program	3
Definition of primary health care	3
Student requirements	3
Commitment to primary health care	4
Exceptional financial need	5
Penalty for failure to enter and practice primary health care	5
School requirements	5
School penalty for noncompliance with school requirements	6
Allocation of Returned Funds	7
Identifying students with a primary health care commitment	7
Improving Primary Health Care Outcomes	8
Relationship Between PCL and Other Student Aid Programs	9
Federal Register General Notice for the PCL Program	10

Background of Primary Care Loan Program

On October 13, 1992, President Bush signed Public Law (P.L.) 102-408, the Health Professions Education Extension Amendments of 1992. P.L. 102-408 amends the HPSL program, now found in sections 721-735 of Title VII of the Public Health Service (PHS) Act, to include a new section 723. Section 723 establishes the Primary Care Loan (PCL) program. To understand the intent of the Congress in establishing the PCL program, it is helpful to look at the Conference Report accompanying P.L. 102-408, which states the following:

“The Conference agreement provides for the reauthorization of health professions programs authorized by Titles VII and VIII of the Public Health Service Act. In contrast with previous reauthorization periods, the Conferees have restructured these programs...to place greatest emphasis upon activities that will improve health care access and delivery by increasing the training of health care providers most important to the provision of primary care services....

The Conference agreement represents the first comprehensive reform of the federal health professions and nursing education authorities since their inception. The agreement reflects the consensus of the Conferees that especially at a time when federal funding for these programs is frozen or declining, steps must be taken to prioritize the allocation of federal funds.....

The Conferees believe federal support for health professions training, with renewed emphasis on setting priorities that reflect an important role in increasing the percentage of medicalschool graduates pursuing careers in primary care medicine.....

The health professions student loan program provides the single largest source of federal low interest loan funds for students attending allopathic and osteopathic schools. The Conferees believe that here, as with other Title VII programs, federal support of medical education should be targeted in a manner that will provide consistent incentives to encourage more young men and women to pursue careers in primary care. The success of health care reform requires that the number of medical students pursuing a primary care career increase. Particularly, in light of fiscal constraints on Federal support for health professions education, it is no longer appropriate to provide federal funds for the subsidy of medical specialties education. Although the Conference agreement is just one small step in achieving needed reform in the production of primary care providers, it represents an important beginning.”

In keeping with the above, the objective of the PCL program is to direct HPSL funds to students in a manner which will increase the number of medical and osteopathic medical school graduates that complete a family medicine, general internal medicine, general pediatrics, or osteopathic general practice training program and practice as a generalist physician, or complete a preventative medicine training program and practice in the primary health care fields of clinical preventative medicine, occupational medicine, or public health.

PCL Program Provisions

The specific provisions of the PCL program, as set forth in section 723 of the PHS Act, are described below.

Establishment of the PCL program: Section 723(a) requires the establishment of the PCL program. Under this program, schools of medicine and osteopathic medicine must use their new and existing HPSL funds to make loans only to students who are committed to a career as a generalist physician (i.e., family physician, general internist, general pediatrician, osteopathic general practitioner) or a specialist in preventive medicine/public health, except that previous HPSL borrowers may be funded through completion of their educational program.

These changes do not affect the HSPL program at schools of dentistry, pharmacy, podiatric medicine, optometry, or veterinary medicine. However, for schools of medicine and osteopathic medicine, the changes significantly alter the existing HPSL program by: (1) Restricting HPSL funds to borrowers with a commitment to these primary health care disciplines; and (2) imposing penalties on schools that do not have a primary health care emphasis. Effectively, the law transforms the HPSL fund at schools of medicine and osteopathic medicine into a PCL fund.

We would emphasize that the PCL program does not provide a new source of funding, separate from the existing HPSL fund. Rather, it converts the HPSL funds at schools of medicine and osteopathic medicine into targeted loan funds with institutional conditions, while at the same time maintaining the existing HPSL requirements (e.g., terms of the loan, uses of the fund). Because of the significance of these changes, the HPSL program for schools of medicine and osteopathic medicine, as modified, generally will be referred to as the PCL program.

Schools should also be aware that the PCL requirements do not apply to the Loans for Disadvantaged Students (LDS) program. The LDS program will continue to operate under the same provisions as in previous years.

Definition of primary health care: Section 723(d) (5) requires that, for purposes of the PCL program, "primary health care" means family medicine, general internal medicine, general pediatrics, preventive medicine, or osteopathic general practice.

Student requirements: Section 723 (a) (1) sets forth the following student eligibility requirements for the PCL program (in addition to the existing HPSL student eligibility requirements):

(1) Commitment to primary health care: Effective July 1, 1993, to be eligible to receive HPSL monies, new borrowers at schools of medicine or osteopathic medicine must agree:

(a) to enter and complete a residency training program in primary health care not later than Page 4 - Policy Memorandum Number 19

4 years after the date on which the student graduates from such school;

(b) To practice primary health care through the date on which the loan is repaid in full.

New borrowers would include any students who have never received a HPSL loan. Any students who have never received a HPSL loan. Any student who has received a HPSL loan previously, as evidenced by a promissory note signed and dated prior to July 1, 1993, may continue to receive HPSL loans, under the same terms as their previous loans, until completion of professional training. The law gives the school discretion in determining whether to continue to fund prior HPSL recipients who are not committed to primary health care. However, consistent with the program's intent of targeting funds to prospective primary health care practitioners, schools are strongly encouraged to use other sources of financial aid for previous HPSL recipients who do not have a commitment to primary health care.

If a school chooses to continue to award HPSL funds to prior HPSL recipients, irrespective of their commitment to primary health care, it may use a HPSL promissory note (rather than the revised PCL promissory note) for awarding funds to these students only. For new borrowers, a revised note which references the new conditions associated with these funds, and is identified as a PCL note, must be used. A copy of the revised note to be used for awarding PCL funds will be provided at a later date.

Definition of residence training program in primary health care: For purposes of the PCL program, the Department is expecting to define "primary health care residency training program" to mean a residency program in family practice, general internal medicine, general pediatrics, or preventive medicine approved by the Accreditation Council for Graduate Medical Education (ACGME), or a postdoctoral program in osteopathic general practice, including an osteopathic internship, which emphasizes family medicine and is approved by American Osteopathic Association. Two-year osteopathic general practice programs that have not as yet converted to 3 years would also be considered primary health care residency programs for purposes of the PCL program. This definition will be published in a Federal Register General Notice for public comment before being finalized.

Acceptable activities: It is expected that residency graduates who would qualify to retain the lower interest rate on a PCL include: (a) Primary health care practitioners; (b) senior (chief) residents in a primary health care or preventive medicine specialty; (c) faculty in a primary health care discipline who maintain a clinical practice; (d) faculty in the fields of preventive medicine; (e) primary health care practitioners that obtain a certificate of added competency in geriatrics; and (f) preventive medicine graduates who practice in the primary health care fields of clinical preventive medicine, occupational medicine, or public health. Categories of acceptable activities for PCL recipients will be published in a Federal Register General Notice for public comment before being finalized.

Unacceptable activities: It is expected that physicians who would forfeit their eligibility for

the lower interest rate on a PCL include those who: (a) enter medical or pediatric subspecialty

training (e.g., cardiology, gastroenterology); (b) receive subspecialty certification; or (c) enter a non-primary health care specialty (e.g., surgery, dermatology, radiology). Categories of unacceptable activities for PCL recipients will be published in a Federal Register General Notice for public comment before being finalized.

(2) Exceptional financial need: To qualify for PCL funds, students must demonstrate exceptional financial need, in accordance with the need analysis procedures required for the HPSL program. In determining whether a student has financial need, and evaluation of parents' financial resources continues to be required.

(3) Penalty for failure to enter and practice primary health care: If a PCL recipient fails to enter and complete a primary health care residency training program within 4 years of graduation, and to practice primary health care until the loan is repaid in full, the following penalties will apply:

(a) The unpaid balance due on the loan will be immediately recomputed from the date of issuance at an interest rate 12 percent per year, compounded annually; and

(b) The recomputed balance must be repaid not later than 3 years after the date on which the borrower fails to comply with the agreement.

Schools will be responsible for monitoring the borrower's compliance with the primary health care practice requirement, and for imposing the interest penalty on those who fail to comply with the terms of the agreement.

Example of borrower penalty: A borrower receives \$10,000 under the PCL program on September 1, 1993. After graduating in June 1994, the borrower enters a primary health care residency program, which is completed in June 1997. During the residency training, the borrower defers repayment of the PCL. The borrower begins practicing primary health care and repaying the PCL in July 1997. Interest on the loan begins accruing, at the rate of 5 percent per year, on July 1, 1997. After practicing primary health care for 1 year, the borrower decides to pursue a cardiology fellowship beginning on July 1, 1998. The balance due on the PCL on July 1, 1998, the time the borrower ceases practicing primary health care, is \$9,000. The interest on the \$9,000 balance is recomputed from September 1, 1993 through July 1, 1998, at a rate of 12 percent per year, compounded annually. The PCL continues to accrue interest at the 12 percent rate, compounded annually, until it is paid in full. Payment of the loan must be completed no later than July 1, 2001.

School requirements: Section 723(b) establishes conditions which must be met by the school to avoid penalties under the PCL program. This section of the law requires that, for the 1-year period ending June 30, 1994, and for the 1-year period ending on June 30 of each subsequent fiscal year, the school must meet at least one of the following conditions, with respect to

years before the end of the 1-year period involved (referred to below as “designated graduates”):

- (1) Not less than 50 percent of the school’s designated graduates meet the criterion of either being in a primary health care residency training program or being engaged in the practice of primary health care;
- (2) Not less than 25 percent of the school’s designated graduates meet the above criterion, and this percentage is not less than 5 percentage points above the percentage of such graduates meeting such criterion for the preceding 1-year period; or
- (3) The school is in the top 25th percentile of participating HPSL schools relative to the proportion of designated graduates who meet the above criterion.

To determine whether a school meets the above conditions, it is expected that the Department will require medical and osteopathic medical schools to submit, as part of the Annual Operating Report (AOR), data on the current status of its designated graduates for each year. Each school will be required to indicate the current training or practice status of all graduates from the school whose date of graduation occurred approximately 4 years before the end of the reporting period ending June 30, 1994, with compliance re-evaluated on an annual basis. In the initial year, to determine whether a school meets the second condition, schools will be required to submit data on the status of students who graduated in both 1989 and 1990. Thereafter, the report will collect only data on the status of students who graduated approximately 4 years before the end of the reporting period.

The Department will provide further information on the specific reporting format at a later date. Not later than 90 days after the close of each 1-year period, the Department will notify schools whether they meet any of the conditions and, if not, will inform them of the penalties for noncompliance, as described below.

School penalty for noncompliance with school requirements: Section 723(b)(4) requires any school that does not meet at least one of the conditions described above to return to the Secretary, not later than 90 days after the school is notified by the Secretary of its noncompliance with those conditions, an amount equal to the following:

- (1) For the 1-year period ending June 30, 1994, an amount equal to 10 percent of the income received by the HPSL fund during such 1-year period;
- (2) For the 1-year period ending June 30, 1995, an amount equal to 20 percent of the income received by the HPSL fund during such 1-year period; and
- (3) For any subsequent 1-year period, an amount equal to 30 percent of the income received by

the HPSL fund during such 1-year period.

These penalties apply only to the HPSL fund; they do not affect any funds made available under the LDS program.

Example of school penalty: A school is notified on September 30, 1994, that it does not meet any of the PCL school conditions based on data included with the June 1994 AOR, and that it must return to the Department by December 30, 1994, 10 percent of the income (to include collections of principal, interest, and penalty charges, and interest earnings) of the HPSL fund for the period July 1, 1993 through June 30, 1994. The school's HPSL fund had income of \$100,000 from July 1, 1993 through June 30, 1994; thus, it must return to the Department \$10,000 from the HPSL fund by December 30, 1994. When this amount is returned, the school may withdraw from the HPSL fund its proportionate share of matching funds.

It is possible that the status of some schools will change annually. For example, a school may be required to return 10 percent of its HPSL income based on 1994 data, be in compliance with the school conditions based on 1995 data, and then be required to return 30 percent of its HPSL income based on 1996 data.

Allocation of Returned Funds: Section 723(b) (5) requires that any HPSL monies returned to the Secretary by a school of medicine or osteopathic medicine be re-allocated only to schools that meet at least one of the three PCL school conditions described above. Schools that receive these funds must place them in the HPSL fund and will be required to provide institutional matching of at least one-ninth of the amount of funds received, in accordance with existing HPSL requirements. These monies will then be available to fund any students who meet the PCL student eligibility requirements described above.

Identifying students with a primary health care commitment

It is the school's ultimate responsibility to determine how it will identify students who are committed to a primary health care career and thus are eligible for PCL funds. We would emphasize that a school's effectiveness in selecting, identifying and training students with a primary health care commitment will have a direct bearing on whether the school continues to have access to the full amount of its HPSL fund, as explained above. In light of the importance of this task, we encourage schools to make this an institutional effort, involving officials with a broad spectrum of institutional responsibilities, including faculty, deans, community primary health care providers with academic ties, and administrative personnel. It is expected that the Secretary will require schools to submit reports explaining how they are carrying out this program, and will review school plans and approaches to confirm that each one will achieve the stated outcomes of this legislation.

The following suggestions may assist a school in identifying and recruiting students with a primary health care commitment:

Page 8 - Policy Memorandum Number 19

(1) Publicize the availability of Primary Care Loans.

- (2) Educate students and applicants about the different competencies and practice characteristics of generalist and specialist physicians and about training and career opportunities in all primary health care disciplines.
- (3) Prepare and administer a questionnaire to all incoming students to determine which students are planning a career as a generalist physician or in a preventive medicine specialty and are interested in receiving Primary Care Loans.
- (4) Conduct a selection process to identify and recruit students who are most likely to pursue primary health care careers. As part of the selection process, the school may wish to rank all student candidates in order of their potential to eventually enter and maintain a primary health care practice. Criteria to make this judgment should be determined by the school, and might include, but need not be limited to, the following: (I) Rural/underserved background or experience; (ii) financial need; (iii) demonstrated involvement in primary health care medical student interest groups (e.g., family medicine student interest group); and (iv) history of community or public service activities.
- (5) Establish a selection committee, with membership covering all the primary health care disciplines, to interview students with a declared interest in primary health care and preventive medicine careers and to prioritize the students as candidates to receive Primary Care Loans. Selection committee members should include: (I) A key faculty member from each of the specialties of general internal medicine, general pediatrics, family medicine, preventive medicine and osteopathic general practice (if applicable); (ii) a community primary health care provider and a specialist in preventive medicine/public health with academic ties; (iii) a representative for the interests of students from disadvantaged backgrounds; (iv) representatives of generalist physician and preventive medicine student interest groups; (v) a representative of the Dean's Office; (v) an official from the financial aid office; and (vi) a representative of student government. Recipients of the Primary Care Loans could then be determined by the school in accordance with the priority recommendations of the selection committee, as long as the school assures that all other statutory requirements regarding student eligibility are met.

Improving Primary Health Care Outcomes

Schools have been successful in increasing the number of graduates entering primary health care residencies through the use of a number of initiatives, including the following:

- (1) Development and dissemination of a mission statement and measurable outcome goals for the production of family physicians, general internists, general pediatricians, preventive medicine specialists, and osteopathic general practitioners (if applicable), and yearly reporting of progress in achieving these goals.

Page 9 - Policy Memorandum Number 19

- (2) Adjustment of the admissions committee membership and admissions policies to favor those applicants who are more likely to select primary health care careers.

- (3) Increased academic presence for primary health care disciplines, including the establishment and maintenance of strong Departments of Family Medicine, Preventive/Community Medicine, and Divisions of General Internal Medicine and General Pediatrics (if not currently in place), increased numbers of generalists physician and preventive medicine faculty role models, and increased recognition and reward for excellence in teaching, as well as research, in primary care, epidemiology, and public/community health.
- (4) Better balance and integration of the basic science, clinical and community-oriented curriculum throughout the entire medical school experience.
- (5) Increased involvement of and continuous student exposure to community-based primary health care practitioners/faculty beginning in the first year.
- (6) Active support of medical school primary health care student interest groups and targeted mentor programs in family practice, general internal medicine, general pediatrics, and preventive medicine.
- (7) Implementation of a required third-year clerkship in family medicine, as well as more emphasis on general ambulatory, continuity-of-care experiences in the internal medicine and pediatrics clerkships. Clerkships should be at least 4 weeks in duration with a concentration on community-based care.
- (8) Implementation of an additional interdisciplinary, ambulatory, primary health care clerkship prior to the beginning of the third-year inpatient experience.
- (9) Other required educational offerings (rotations in health departments, community health centers, managed care organizations, homeless shelters, nursing homes, etc.) that demonstrate to students the unique challenges and opportunities provided by primary health care practice.

Relationship Between PCL and Other Student Aid Programs

It is suggested that schools of medicine and osteopathic medicine follow the same procedures used in selecting PCL recipients for selecting their Exceptional Financial Need (EFN) and Financial Assistance for Disadvantaged Health Professions Students (FADHPS) scholarship recipients, since these programs now require a primary health care commitment as well. (More detailed information on the EFN and FADHPS primary health care commitment is provided in Policy Memorandum 18, dated October 19, 1992).

Page 10 - Policy Memorandum Number 19

Schools are also encouraged, in the awarding of Loans for Disadvantaged students (LDS) and Scholarships for Disadvantaged Students (SDS) funds, to give preference to students with a

primary health care commitment, as long as they remain in compliance with program requirements governing student eligibility and awarding of funds. Schools participating in the LDS or SDS program also may find that the LDS and SDS school institutional effort will assist them in increasing the number of graduates entering primary health care. Accordingly, schools are encouraged to re-examine how they can further augment these activities to increase the numbers of primary health care practitioners. As a reminder, the LDS and SDS program require schools to do the following:

- (1) Carry out a program for recruiting and retaining individuals from disadvantaged backgrounds;
- (2) Carry out a program for recruiting and retaining minority faculty;
- (3) Ensure that adequate instruction regarding minority health issues is provided for the school curricula;
- (4) Enter into arrangements with 1 or more health clinics providing services to a significant number of individuals from disadvantaged backgrounds, for the purpose of providing students with experience in providing clinical services to such individuals;
- (5) Enter into arrangements with 1 or more secondary institutions and undergraduate institutions of higher education to carry out programs to prepare students from disadvantaged backgrounds for entry into the health professions and to recruit such students into the health professions; and
- (6) Establish a mentor program for assisting students from disadvantaged backgrounds regarding the completion of the educational requirements for degree from the school.

Federal Register General Notice for the PCL Program

We are in the process of developing a General Notice, to be published in the Federal Register for public comment, which will propose more specific criteria for implementing and administering the PCL program. Copies of this notice will be mailed to officials at schools of medicine and osteopathic medicine when it is published.