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BUREAU OF HEALTH PROFESSIONS

Date: February 13, 2003
To: Health Professions and Nursing Schools
Subject: Campus Based Policy Memorandum 2003-1

Please forward this information to the financial aid administrators and fiscal officers responsible for administering the Division of Health Careers Diversity and Development (DHCDD)/Department of Health and Human Services campus-based loan and scholarship programs.

This policy memorandum provides an update and clarification regarding certain aspects of the programs administered by DHCDD. The following topics are discussed:

Scholarship for Disadvantaged Students Program

- Program Goals
- AY 04-05 Application & Funding Priority Calculation
- Financial Status Report
- Draw Down Guidelines

Loan Programs

- Annual Operating Report
- Primary Care Loan Program
- Loans for Disadvantaged Students Program
- Funding for the Loan Programs
- Draw Down Guidelines
- Write-off Technical Assistance

SCHOLARSHIPS FOR DISADVANTAGED STUDENTS

In October 2002, DHCDD with selected representatives from the school community conducted a Scholarship for Disadvantaged Students (SDS) Focus Group to discuss and evaluate if the current implementation of the SDS program was meeting the intent of the law. Many comments and suggestions were received from the school

community that added great value to the discussions at the meeting. We want to thank all of you for your contributions.

Three areas surfaced for discussion:

- Need for the Department's communication of the program goals to participating institutions so that schools understand the changes made to the program;
- Methodology of awarding funds if we are faced with reduced appropriations; and
- Importance of schools to remain eligible in the SDS program.

The following further explains the information discussed and the Department's response to these issues.

PROGRAM GOALS

Part of the discussion was focused on the Office of Management and Budget's (OMB) review of the Bureau of Health Professions' (BHPr) Title VII and VIII programs and how well the Bureau was accomplishing program objectives. Currently, our programs have been rated as ineffective according to OMB's performance standards. OMB continues to emphasize the requirement that outcome-based measures be established and achieved. The goals set for the BHPr to attain by 2010 are:

Goal 1: Increase the proportion of all health professions' students, completing health professions programs funded by Title VII and VIII, who come from disadvantaged backgrounds and/or underrepresented minorities to 50%.

Goal 2: Increase the proportion of all health professions students, completing health professions programs funded by Title VII and VIII, serving in medically underserved communities (MUCs) to 40%.

Currently, all graduates who are recipients of SDS funds are from disadvantaged backgrounds, meaning the SDS program substantially contributes in reaching the overall Bureau program goals.

To be responsive in achieving Goal 1, the SDS program has established a benchmark to reach a 5% increase by 2010 in the number of disadvantaged graduates who receive SDS funds. This in turn will increase the number of health professionals from disadvantaged backgrounds serving in the health care workforce.

To be responsive to Goal 2 of increasing the number of graduates practicing in MUCs, we hope to obtain more accurate MUCs data in the SDS Application.

AY 2004-05 SDS APPLICATION & FUNDING PRIORITY CALCULATION

Eligibility Criteria:

The eligibility criteria are currently under review for AY 2004-05 Awards. Should changes be necessary, they will be published in the Federal Register (FR). The Department will inform schools via Listserv when the FR is available for comments.

Additional Data for the SDS Application:

Additional MUCs information will be collected on the SDS application beginning with AY 2004-05. Schools should determine how many graduates for the reporting year are practicing in MUCs and then determine how many of those graduates received SDS funding.

Funding Priority Calculation:

Schools were eligible for SDS funding in FY 2002 and 2003 if they achieved at least 10% enrollment and 10% graduates from disadvantaged backgrounds, had economically disadvantaged students enrolled, and had economically disadvantaged graduates.

Currently, funding priority is given to eligible schools for:

- the proportion (at least 50%) of graduated students going into primary care
- the proportion (above the national average for the discipline) of underrepresented minority students; and
- the proportion (at least 10%) of graduated students working in MUCs

Eligible schools that meet one or more funding priority/priorities receive extra point(s) resulting in larger award amounts. Award amounts are doubled for eligible schools meeting one priority (receive 1 point), tripled for meeting two priorities (receive 2 points), and quadrupled for meeting all three priorities (receive 3 points).

One point is given to schools that report at least 10% of graduates practicing in MUCs. Beginning with the AY 2004-05 SDS awards, priority point(s) given to schools for graduates practicing in MUCs is revised as follows:

- 10% to 29.99% = 1 point
- 30% to 49.99% = 1.5 points
- Over 50% = 2 points

The intent of this point(s) system is to give schools an incentive to collect and report the number of graduates practicing in MUCs. These data are what will determine this program's success in meeting Goal 2.

To assist schools in identifying graduates practicing in MUCs, we intend to have a website ready by AY 2004-05 application cycle where schools can obtain MUCs information more readily.

REVISION- FINANCIAL STATUS REPORT 2003

In order to monitor progress and assure that the program is meeting its goal, we will begin collecting recipients' graduate data on the Financial Status Report (FSR) 2003 (reporting period of 7/1/02-6/30/03). The FSR 2003 will have an additional column to report the number of graduates by ethnicity that received SDS funding for the AY 2002-03 reporting year. The FSR 2003 is due on August 14, 2003.

DRAW DOWN GUIDELINES

Schools are encouraged to return SDS funds that cannot be used as soon as possible before the deadline. Over \$3 million of SDS funds were not used/dispensed by schools in FY 2001. This prevents students at other schools from receiving these scholarships. If schools notify us that they cannot use all or part of their funds by the deadline, the Department can re-award these funds to other eligible schools that could use these funds. If you need to return funds, use the "Return of Funds Form" available at <http://bhpr.hrsa.gov/dsa/weblinks>. Select "Forms" and complete. Fax the notification by the deadline (normally in December) that is published on the award information page of the Notice of Award website.

The Department will send notification via e-mail in July and February reminding schools of the June 30 deadline to draw down funds.

Draw-down Affecting Awards:

Beginning with the AY 2004-05 SDS Award, the Department is implementing new guidelines for determining final awards to schools not drawing down their SDS funds. This determination will be based on data reported on the FSR 2003 for SDS Awards for AY 2002-03 (7/1/02-6/30/03).

Subsequent years will follow the same pattern:

- Draw down of AY 2002-03 SDS Awards affects AY 2004-05 SDS Awards only
- Draw down of AY 2003-04 SDS Awards affects AY 2005-06 SDS Awards only

For schools:

- Drawing down 80 to 100 percent of SDS funds, the award will not be affected.
- Drawing down any amount less than 80 percent of SDS funds, the award will be adjusted to equal the percentage of draw down amount (e.g., 62% draw down means 62% of eligible award amount) for the year specified above.
- Not drawing down any SDS funds and not notifying us by the deadline, the award will be zero for the year specified above.

Schools will not be affected by these changes if we are notified by the DEADLINE that funds cannot be used by June 30.

LOAN PROGRAMS

ANNUAL OPERATING REPORT

The following changes have been made to the Annual Operating Report (AOR) for the period ending June 30, 2003.

- Schools will not be able to submit their report(s) if there are negative numbers in the cumulative fields on pages 2 or 3, with the exception of: Page 2, Line d.14 - Other Costs. The numbers must be corrected before submission.
- Schools will not be able to submit their reports if the following edits appear on the edit report (see below). Submission can be completed once changes have been made to clear the edits from the report.

Edit 2.2: Current funds received exceed current funds awarded.
2.3: Cumulative Institutional deposit is less than the required 1/9th contribution.
2.11: Ending cash balance cannot be negative.

- A new edit that cross references Pages 1 and 2 is being added. If a school enters figures for “Number of student borrowers” (Page1), then “Loaned to students” (Page 2) must contain a sum greater than 0.

The following items require your close attention:

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- Breakdown of race/ethnicity enrollment - DHCDD is looking into how to best use this data in awarding funds. Please complete the table using the information available to you through your institution.
- Borrower Accounts Worksheet - It has been noted that schools are reporting a decrease in their total number of borrowers. These figures should never decrease from year to year, they should remain the same or increase as new loans are made from the fund.
- Employment Cancellation - Currently Edits 6.5 and 6.6 (see below for explanation) address the difference in dollars reported for cancellations on Pages 3 and 6. The cancellation provision is no longer in effect for these programs. **No cancellations may be granted.** The cumulative employment cancellation figures reported on Page 6 must match the figures reported on Page 3.

Edit 6.5: Page 6, Column 4, “Principal Cancelled Employment/Professional Practice” total should equal Page 3 “Cumulative Principal” Line 1a. “Health Professions Practice-Shortage” (10%) plus Line 1b. “Health Professions Practice-Rural Shortage” (15%)

Edit 6.6: Page 6, Column 4, “Principal Cancelled/Nursing Employment should equal Page 3 “Cumulative Principal” Line 2a. “Nursing Employment” (10%) plus Line 2b. “Nursing Employment” (15%) plus 2c “Nursing Employment” (20%)

As a reminder, any discrepancies found on the AOR including those cited in the edit report must be corrected by the next reporting period. Cumulative errors may be corrected by adjusting the current year amount for all fields except for "Federal Funds Received/Receivable." Please contact the loan team for guidance in adjusting this field.

Currently, schools are allowed to retain as a safety margin amounts equivalent to two years worth of loans made. In response to requests from schools and lower consolidation rates, we are increasing the safety margin from two to three years. This allows schools to retain their money a little longer instead of returning the funds due to excess cash. It is anticipated that this change in policy will only be temporary and schools will be notified when this change in policy is retracted.

PRIMARY CARE LOAN PROGRAM

At recent conferences there have been questions regarding eligible practice activities for Primary Care Loan (PCL) recipients. It has been determined that physicians

practicing in urgent care or as a generalist would meet the practice eligibility requirement for PCL and retain compliance provided they have not obtained any subspecialty training.

Just a reminder that PCLs are not eligible for consolidation.

LOANS FOR DISADVANTAGED STUDENTS PROGRAM

Schools participating in the Loans for Disadvantaged Students (LDS) program are granted the authority to establish a revolving fund at their institutions. As money is collected from borrowers, it is within the institution's purview to re-award that money to eligible students. In the past the Department has not required the return of excess cash from LDS schools so that they may build up their fund. However after review, it has been noted that some schools are carrying a large amount of funds and not making loans. Starting with the AOR for the period ending June 30, 2004, schools with excess cash will be required to return the funds to the Department.

FUNDING FOR THE LOAN PROGRAMS

Schools eligible to participate in the NSL program will be funded as usual. Awards will be based on the amount of need (as determined by data submitted on the AOR), the school's enrollment, and the total amount of funds available. It is anticipated that \$4.5M will be available for awards.

The PCL program has seen a large increase in the amount of funds available for re-awarding while the anticipated need has decreased. The following formula will be used to award PCL money:

- First, all eligible PCL schools will be fully funded based on their need as determined by data submitted on the AOR.
- Second, money will be transferred into the LDS program to fully fund those schools, in all disciplines, showing a need based on data submitted on the AOR.
- Finally, any remaining funds will be proportionately allocated to the HPSL disciplines to fund those schools showing a need based on data submitted on the AOR.

The approximate amounts of funds available for awards are \$6M for PCL, \$4.7M for LDS, and \$6.5M for HPSL. Schools will be notified of their awards in the Spring 2003.

DRAW DOWN GUIDELINES

Schools are encouraged to return funds that cannot be used as soon as possible. Over three million dollars of loan funds were not used/disbursed by schools in FY 2001. This prevents needy students at others schools from receiving these funds. Schools have always been informed that there will be no funding for the next award cycle to schools that do not draw down all of their award funds. If schools notify us of the return of funds before the end of the award period, there will be no penalties.

We will send notification, via e-mail, in July and February reminding schools of the June 30 deadline to draw down funds.

WRITE-OFF TECHNICAL ASSISTANCE

DHCDD would like to announce the availability of an interactive training module designed to assist schools in understanding and applying the due diligence process. The module is available on our website at <http://bhpr.hrsa.gov/dsa/weblinks> by clicking on Training.

If you have any questions concerning this policy, please contact the following staff:

Scholarship Team

Angie Lacy at 301-443-5353, alacy@hrsa.gov

Andrea Castle at 301-443-1701, acastle@hrsa.gov

Loan Team

Michelle Herzog at 301-443-5307, mherzog@hrsa.gov

Lorraine Evans at 301-443-0785, levans@hrsa.gov

Mary Farrington
Chief, Campus Based Branch
Division of Health Careers
Diversity & Development