

## Medical School Loan Forgiveness Programs

March 6, 2012

**Inquiry from Kentucky:** *Does your state have any incentive programs or to reduce/absolve student loans that require medical students to remain in-state following completion of medical school?*

### **Arizona:**

The attached laws show that Arizona's medical student loan program allowed loan forgiveness for persons who served in medically underserved areas or with medically underserved populations. These provisions will be moot starting in FY 2013; however, as FY 2012 is the last year our state budget includes funding for medical students loans.

### 15-1723. Medical student loans; amount; qualifications; requirements

A. The board may grant loans from the medical student loan fund established by section 15-1725 to defray the expenses of the medical education of those students at a public or private school of medicine in this state who intend to enter and complete a residency program approved by the accreditation council for graduate medical education or by the American osteopathic association and who are deemed qualified by the board to receive such loans. Loans shall be granted upon such terms and conditions as may be imposed by the board and shall be distributed on a first-come, first-served basis. One of the qualifications shall be Arizona residency, which shall be determined according to the same criteria prescribed for in-state student status in section 15-1802. At least fifty per cent of the monies shall be apportioned for students attending private medical schools.

B. The loans granted by the board shall provide for each student tuition plus a living allowance. Beginning in 2006-2007 and continuing each year thereafter, the living allowance shall be no more than twenty thousand dollars for each student per year adjusted by the percentage change in the GDP price deflator from the second preceding calendar year to the calendar year immediately preceding the current year.

C. The board shall make a full and careful investigation of the ability, character and qualification of each applicant through a written application and interview process and determine the applicant's fitness to become a loan recipient. The investigation of each applicant shall include an examination of the ability of the applicant to pay the expenses of a medical education. The board shall give preference to qualified applicants who demonstrate a strong commitment to seek a residency program in this state, who intend to become board certified in family practice, general pediatrics, obstetrics and gynecology, general internal medicine or combined medicine and pediatrics or any other specialty approved by the board and who demonstrate a commitment to practice medicine in this state and to serve in an area listed in subsection E of this section.

D. The services to be performed are service to the state by practicing general practice or any specialty approved by the board in an area listed in subsection E of this section. Service by practicing another specialty of recognized need in this state shall be allowed only following written approval by the board. The service location is subject to approval by the board.

E. The board may approve service in any of the following locations:

1. A rural and medically underserved area of this state.
2. A medically underserved area of this state.
3. A medically underserved population of this state.
4. Any Indian reservation that is located in this state.

F. The board may specify an area listed in subsection E of this section in the student's contract to permit the student to seek employment in that area as a physician. After the area is specified by the board, that area shall be designated in the student's subsequent contracts as an approved area and as an approved service location.

G. The board shall collect and maintain data on the retention of doctors who practice in an area listed in subsection E of this section. The board shall collect this data for at least ten years after each loan recipient completes the recipient's service commitment.

H. Private schools of medicine shall reimburse the university of Arizona for any administrative costs related to the processing of loans for students at private schools of medicine pursuant to subsection A of this section.

15-1724. Medical student loans; interest; obligations; penalty; authority of attorney general

A. Each applicant who is approved for a loan by the board may be granted a loan for a period of up to five years.

B. The loans shall bear interest at the rate of seven per cent per year.

C. Each loan shall be evidenced by a contract between the student and the board, acting on behalf of this state. The contract shall provide for the payment by the state of a stated sum or sums defraying the costs of a medical education at a public or private school of medicine in this state and shall be conditioned upon the contractual agreement by the recipient of such loan to complete the service required by section 15-1723. The contract shall provide that the recipient serving as a physician in an area listed in section 15-1723, subsection E may receive compensation from the board for such service and other services designated in the contract. This compensation shall be credited against amounts due under the loan and shall not exceed the amount of the loan and any interest accrued on the loan. Such service shall be full time as determined by the board and shall be for two years or one year of service for each year of loan support, whichever is longer. A loan and the interest accrued thereon may be fully paid with compensation received for services as required by the contract or at the option of the recipient by payment of all monies, interest and penalties for failure to fulfill the contract.

D. A loan recipient shall begin the service for which the recipient contracted as a condition of the loan within three years of completion of the recipient's undergraduate medical education unless extended to four years by the board or within three months of finishing or leaving a residency program. A recipient who is ordered into military service or for other cause beyond the recipient's control deemed sufficient by the board is unable to commence the required service within three years of such graduation shall begin service within one year after completing military service or the termination of such other cause.

E. If a recipient decides not to fulfill the conditions of the contract by serving in an area listed in section 15-1723, subsection E, the contract shall provide that the recipient shall be required to repay the full amount borrowed, including tuition, at the seven per cent interest rate plus a penalty for liquidated damages in an amount equivalent to the full amount borrowed, including tuition, less the amount credited for time actually served in a site approved by the board, to be calculated on a prorated monthly basis. The board for good reason may provide for extensions of the period of repayment specified in the loan recipient's contract. The board may waive the payment of principal, interest and liquidated damages if it determines that death or permanent physical disability accounts for the recipient's failure to fulfill the contract.

F. If a recipient withdraws or is dismissed from medical school, the recipient shall be required to repay the loan to the board with interest with no penalty within one year of withdrawal. The board may for good reason provide for extensions on the period of repayment.

G. On receipt of supporting documentation, the board for good cause shown may defer the recipient's service or payment obligation or may enter into repayment arrangements with the recipient or allow service that is equivalent to full-time service if the board determines that this action is justified after a review of the individual's circumstances. At the discretion of the board, the board may allow service by practicing another specialty of recognized need in this state that is not specified in the student's contract, but only following prior written approval by the board.

H. The attorney general may commence whatever actions are necessary to enforce the contract and achieve repayment of loans provided by the board pursuant to this article.

### **Arkansas:**

The University of Arkansas for Medical Sciences operates the Rural Programs. Information can be found at <http://www.uams.edu/COM/ruralprograms/>

### **Iowa:**

In Iowa currently has the following (which used to be the "Osteopathic Physician Recruitment Program"):

#### **Iowa Code Section 261.19 Health care professional recruitment program.**

1. A health care professional recruitment program is established to be administered by the college student aid commission for Des Moines university. The program shall consist of a loan repayment program for health care professionals. The commission shall regularly adjust the service requirement under each aspect of the program to provide, to the extent possible, an equal financial benefit for each period of service required.
2. A health care professional shall be eligible for the loan repayment program if the health care professional agrees to practice in an eligible rural community in this state. Des Moines university shall recruit and place health care professionals in rural communities which have agreed to provide additional funds for the recipient's loan repayment. The contract for the loan repayment shall stipulate the time period the recipient shall practice in an eligible rural community in this

state. In addition, the contract shall stipulate that the recipient repay any funds paid on the recipient's loan by the commission if the recipient fails to practice in an eligible rural community in this state for the required period of time.

3. A health care professional recruitment revolving fund is created in the state treasury as a separate fund under the control of the commission. The commission shall deposit payments made by health care professional recruitment program recipients and the proceeds from the sale of osteopathic loans awarded pursuant to section 261.19, subsection 2, paragraph "b", Code 2011, into the health care professional recruitment revolving fund. Moneys credited to the fund shall be used to supplement moneys appropriated for the health care professional recruitment program, for loan repayment in accordance with this section, and to pay for loan or interest repayment defaults by program recipients. Notwithstanding section 8.33, any balance in the fund on June 30 of any fiscal year shall not revert to the general fund of the state.

4. For purposes of this section:

- a. "Eligible rural community" means a medically underserved rural community which agrees to match state funds provided on at least a dollar-for-dollar basis for the loan repayment of a health care professional who practices in the community.
- b. "Health care professional" means a physician, physician assistant, podiatrist, or physical therapist.

5. The commission shall adopt rules pursuant to chapter 17A to administer this section.

### Iowa Code Section 261.71 Chiropractic graduate student forgivable loans.

1. A chiropractic graduate student forgivable loan program is established, to be administered by the college student aid commission for resident graduate students who are enrolled at Iowa chiropractic colleges and universities. A resident graduate student attending an Iowa chiropractic college or university is eligible for loan forgiveness under the program if the student meets all of the following conditions:

- a. The student graduates from an Iowa chiropractic college or university that meets the requirements for approval under section 151.4.
- b. The student has completed a chiropractic residency program.
- c. The student agrees to practice in an underserved area in the state of Iowa for a period of time to be determined by the commission at the time the loan is awarded.
- d. The student has received a loan from moneys appropriated to the college student aid commission for this program.

2. The contract for the loan repayment shall stipulate the time period the chiropractor shall practice in an underserved area in this state. In addition, the contract shall stipulate that the chiropractor repay any funds paid on the chiropractor's loan by the commission if the chiropractor fails to practice in an underserved area in this state for the required period of time. Forgivable loans made to eligible students shall not become due, for repayment purposes, until one year after the student has graduated. A loan that has not been forgiven may be sold to a bank, savings and loan association, credit union, or nonprofit agency eligible to participate in the guaranteed student loan program under the federal Higher Education Act of 1965, 20 U.S.C. § 1071 et seq., by the commission when the loan becomes due for repayment.

3. For purposes of this section "graduate student" means a student who has completed at least ninety semester hours, or the trimester or quarter equivalent, of postsecondary course work at a public higher education institution or at an accredited private institution, as defined under section 261.9. "Underserved area" means a geographical area included on the Iowa governor's health practitioner shortage area list, which is compiled by the center for rural health and primary care of the Iowa department of public health. The commission shall adopt rules, consistent with rules used for students enrolled in higher education institutions under the control of the state board of regents, for purposes of determining Iowa residency status of graduate students under this section. The commission shall also adopt rules which provide standards, guidelines, and procedures for the receipt, processing, and administration of student applications and loans under this section.

**HSB 595** (<http://coolice.legis.state.ia.us/Cool-ICE/default.asp?Category=billinfo&Service=Billbook&menu=false&hbill=hsb595>) has been amended to make it a loan repayment program and has been voted out of committee, but it hasn't been assigned a SF number yet. Its title is as follows:

An Act establishing a rural Iowa primary care loan repayment program to be administered by the college student aid commission, a rural Iowa primary care trust fund, and making appropriations.

**HSB 595** is now on the House floor as HF 2389 -- <http://coolice.legis.state.ia.us/Cool-ICE/default.asp?Category=billinfo&Service=Billbook&menu=false&hbill=hf2389>

### **Kansas:**

Kansas has such a program. An overview and link to more information is as follows:

[http://journals.lww.com/academicmedicine/Fulltext/2010/11000/The\\_Kansas\\_Medical\\_Student\\_Loan\\_Program\\_A.16.aspx](http://journals.lww.com/academicmedicine/Fulltext/2010/11000/The_Kansas_Medical_Student_Loan_Program_A.16.aspx)

## **THE KANSAS MEDICAL STUDENT LOAN PROGRAM**

The Kansas Medical Student Loan Program (KMSL) was established by the State of Kansas to encourage students attending the University of Kansas School of Medicine to practice primary care medicine in areas of need in the State of Kansas. The KMSL assists students with costs associated with attending the University of Kansas School of Medicine.

The KMSL is awarded annually, effective for an academic year. The KMSL provides payment of tuition and living expenses of up to \$2000 a month. Nine (9) monthly stipends are allocated for the 1st and 2nd years, eleven (11) monthly stipends for the 3rd years and ten (10) monthly stipends for the 4th year of enrollment at KUMC.

### **ELIGIBILITY AND APPLICATION REQUIREMENTS**

Students admitted to the University of Kansas School of Medicine in a course of instruction leading to the degree of Doctor of Medicine, are eligible to apply for a Kansas Medical Student Loan. Priority consideration will be given to Kansas residents from rural counties that demonstrate financial need and are in good academic standing.

Students applying for the KMSL for the first time must file the Free Application for Federal Student Aid (FAFSA) in addition to the Kansas Medical Student Loan Program application. The

KMSL application is available in the Student Financial Aid Office, and the FAFSA can be completed at [www.fafsa.gov](http://www.fafsa.gov).

Students selected for the KMSL will sign loan agreements and promissory notes. Once the paperwork has been completed, arrangements will be made for the payment of tuition and appropriate stipends.

Currently enrolled KMSL recipients are not required to file the Free Application for Federal Student Aid (FAFSA) and will automatically be awarded KMSL funds upon reapplication.

### **LOAN OBLIGATIONS**

To be a recipient of the Kansas Medical Student Loan Program, you must enter into an agreement with the University of Kansas School of Medicine. In return for the Kansas Medical Student Loan support, you must:

1. complete the required course of instruction and receive the degree of Doctor of Medicine;
2. apply for and obtain a license to practice medicine in Kansas;
3. enter a primary care residency (family practice, general internal medicine, general pediatrics, and emergency medicine) upon graduation. Once your residency is completed, you must do one of the following: engage in full-time medical practice for a period of twelve months for each year the KMSL was received, in a Kansas city excluding those cities in Douglas, Johnson, Shawnee and Sedgwick counties; or Commencing the full-time practice of medicine and surgery within nine months after completion of the aforesaid approved post-graduate residency training program and licensure in any state medical care facility or institution as defined by K.S.A. 76-381 (d), or Commencing the full-time practice of medicine and surgery within nine months after completion of the aforesaid post-graduate residency training program and licensure in any medical center in Kansas operated by the Veterans' Administration of the United States; or Commencing as a full-time faculty member of the University of Kansas School of Medicine in family medicine, family practice, general internal medicine, or general pediatrics within nine months after completion of the aforesaid post-graduate residency training program and licensure; or perform at least 100 hours per month of on-site primary care medical service (defined as general pediatrics, general internal medicine or family practice) in a clinic operated by a local health department or other non-profit organization in this state which is organized for the principal purpose of service to medically indigent persons

### **FULL TIME EMPLOYMENT**

For the purposes of the Kansas Medical Student Loan Program, doctors must work an average of at least 45 hours per week. Emergency medicine doctors must work an average of at least 36 hours per week.

### **MEDICAL FELLOWSHIPS**

In 2009, the Kansas state legislature added the option for doctors to complete a fellowship in geriatric medicine and remain in compliance with the KMSL obligations. Doctors who elect to enter and complete a geriatric medical fellowship after completing an approved residency, and who establish a full-time practice in an acceptable location within 9 months of the completion of the geriatric medical fellowship are in compliance, and no repayment is required.

Doctors completing any other medical fellowship after completing an approved residency will be required to repay a portion of his or her KMSL obligation. The amount of repayment will be determined based on the length of the fellowship completed and when the doctor establishes full-time employment in an acceptable location after the fellowship. For more information, please contact the Student Financial Aid Office at 913.588.5170.

### **SATISFYING THE MEDICAL SERVICE OBLIGATION**

A Kansas Medical Student Loan will be canceled:

1. if the obligation to engage in full-time medical practice has been completed as specified in the service agreement;
2. if the person obligated dies;
3. if, because of permanent physical disability, the person obligated is unable to practice medicine.

### **LOAN REPAYMENT**

Any person who fails to satisfy the service obligation must repay within ten (10) years to the University of Kansas School of medicine an amount equal to the sum of money received in tuition payments and living expenses plus interest at the rate of 15%, from the date such money was received, with the first installment payment commencing 6 months after the date of the action or circumstances that causes the failure of the student to satisfy the obligations of this agreement.

### **SERVICE OBLIGATION POSTPONEMENT**

An obligation to engage in the full-time practice of medicine in accordance with the agreement entered into for the award of a Kansas Medical Student Loan may be postponed for no more than five years for:

1. active military service;
2. service in Volunteers in Service to America (VISTA);
3. service in the Peace Corps;
4. service in the United States Public Health Service; or
5. religious missionary work.

Additionally, a KMSL service commitment may be postponed because of temporary medical disability for as long as the medical disability exists.

### **RETROACTIVE KANSAS MEDICAL STUDENT LOAN**

Depending on availability, the Kansas Medical Student Loan can be awarded retroactively. Students who did not take out the KMSL when they first enrolled as a medical student may be eligible to receive it in later years, for up to the full amount that would have been received if it had been offered as an incoming student. For each Retro KMSL contract a student receives, one year of obligation will be required. For more details on the obligation and to obtain a Retro KMSL application, please contact the Student Financial Aid Office.

Recipients of the Retro KMSL will be expected to use Retro KMSL funds to repay student loans borrowed while in medical school. Any funds remaining after your medical student loan debt has been repaid can be used for other school related expenses.

## **Maine:**

Maine has recently established a new scholarship program (to subsidize 50% of annual tuition costs not to exceed \$25,000 per student annually) and revised a medical student loan program. Here's a link to the enacted law summary (search for LD 853) and the summary text:

<http://www.maine.gov/legis/opla/EDU2009.pdf>

### **Enacted Law Summary (LD 853)**

Public Law 2009, chapter 410 establishes the Doctors for Maine's Future Scholarship Program to provide a tuition subsidy of 50% of the cost of attendance annually, up to a maximum of \$25,000 per student annually, for eligible students who enter qualifying Maine-based medical school programs, for the purpose of increasing the number of physicians in the State who practice in primary care, underserved specialties or underserved areas of the State. The law accomplishes the following.

1. It defines "qualifying Maine-based medical school program" as an allopathic or osteopathic medical school program in which an educational or health care institution located in the State participates in curriculum development, selects no fewer than 10 students for admission per class year, requires that all students complete not less than one academic year of the medical school curriculum at facilities located in the State, raises funds through philanthropic resources and the private sector to match 100% of those funds appropriated or allocated by the State for scholarships and includes a required clerkship experience and a curriculum that focuses on rural health care and primary care.
2. It establishes the Doctors for Maine's Future Scholarship Fund as a nonlapsing, interest-earning, revolving fund under the jurisdiction of the Finance Authority of Maine. The authority is authorized to receive, invest and expend money from gifts, grants, bequests and donations or other sources in addition to funds appropriated or allocated by the State to the Doctors for Maine's Future Scholarship Program.
3. It provides for the gradual phase-out of the Access to Medical Education Program by establishing that, beginning January 1, 2010, the Chief Executive Officer of the Finance Authority of Maine may not secure any additional new positions at schools of allopathic or osteopathic medicine under this program and shall secure only the number of positions necessary to allow students already occupying such positions as of January 1, 2010 to complete their remaining one to 3 years of medical education at their respective institutions. It also provides that, beginning July 1, 2013, the Chief Executive Officer of the Finance Authority of Maine may not secure any further positions at schools of allopathic or osteopathic medicine under the Access to Medical Education Program.
4. It provides that students occupying positions at schools of osteopathic or allopathic medicine through the Access to Medical Education Program on or before September 30, 2009 remain eligible for loans through the Health Professions Loan Program through June 30, 2012. It further provides that the existing revolving fund that supports the Access to Medical Education Program and the Health Professions Loan Program must continue to support students eligible for these programs through June 30, 2012.

Public Law 2009, chapter 410 was enacted as an emergency measure effective June 16, 2009. Here's a link to the Maine statutes (see Title 20-A, chapter 424, Medical Education and Recruitment): <http://www.mainelegislature.org/legis/statutes/20-A/title20-Ach424.pdf>

### **Nebraska:**

Nebraska has the Nebraska Rural Health Systems and Professional Incentive Act to not only keep medical professionals in Nebraska, but to encourage them to practice in rural areas. The following link will give you the latest annual report:

<http://dhhs.ne.gov/publichealth/Documents/ORH%20%20Annual%20Report%202011FINAL.pdf> .

### **North Dakota:**

North Dakota is a rural state with a shortage of medical professionals willing to locate to rural areas of the state. Following are brief descriptions of programs to encourage medical professionals to locate to rural North Dakota.

- The University of North Dakota School of Medicine and Health Sciences **RuralMed program** provides eight new freshman medical students per year with a full tuition waiver for all four years of medical school if the student agrees to complete a family medicine residency and then practice family medicine in a rural area of the state for five years.
- The University of North Dakota School of Medicine and Health Sciences students generally complete the first two years at the Grand Forks campus. For the third year, the majority of the students are assigned to do clerkship rotations within clinical settings. Approximately six to eight third-year students are chosen to participate in the rural opportunities in medical education (ROME) program. The **ROME program** allows third-year medical students to live and train in a nonmetropolitan community under the supervision of physician preceptors. A goal of the ROME program is to expose students to practicing medicine in rural areas throughout North Dakota. In the fourth year, students complete internships designed to teach students how to function in a hospital setting.
- North Dakota Century Code provides for state community matching **physician and mid-level practitioner loan repayment programs**. A qualifying physician may receive up to \$22,500 per year for up to two years for a total of \$45,000. Qualifying mid-level practitioners may receive loan repayments totaling up to \$30,000 over two years. Communities must contribute an amount at least equal to the amount of the state contribution for the physicians and mid-level practitioners.
- The **dentists' loan repayment program** was established to provide loan repayment funding to dentists willing to locate in the state and is to provide the highest priority for acceptance into the program to dentists willing to serve the smallest and most underserved communities in North Dakota. Dentists are eligible to receive funds, not to exceed a total of \$80,000 per applicant, for the repayment of their educational loans. The funds are payable over a four-year period (\$20,000 per year).

### **Ohio:**

Ohio currently has a loan forgiveness program for nurses/nursing instructors that remain in the state, but nothing specifically for medical students.

### **South Carolina:**

At one time, funding was available for medical students through the Department of Health and Environmental Control Medical and Dental Scholarship Program. A requirement for funding was that they remained in state. It hasn't been in place since around 1990 due to the outcomes associated with funding students. Also, the Rural Physician Program was an incentive which paid off loans for students who remained in state, in rural areas. This funding was vetoed by the Governor a few years ago. This program had very successful outcomes.

There is a loan program for medical students who plan to practice in South Carolina for which they must make a commitment. If they fail to fulfill the commitment, there is a hefty penalty. Few students are currently willing to make the commitment at such an early stage in their career when they begin medical school.

### **Tennessee:**

Tennessee has a limited five-year pilot project going that uses state lottery proceeds to fund loan scholarships for medical students who will then work one year in a health resource shortage area of Tennessee for each year of the loan scholarship funding. The program includes students in M.D., D.O., P.A., N.P. and DDS programs. It can be found at Tennessee Code Annotated, Section 49-4-939. Here's a link to the Tennessee Student Assistance Corporation's (TSAC) web page on the program: [http://www.tn.gov/collegepays/mon\\_college/ruralhlth.htm](http://www.tn.gov/collegepays/mon_college/ruralhlth.htm)

There is also a similar program for nurses seeking masters or Ph.D.'s who will teach in nursing programs on graduation. It is not funded by state lottery proceeds. It can be found at Tennessee Code Annotated, Section 49-4-702. Here's a link to TSAC's web page on this program: [http://www.tn.gov/collegepays/mon\\_college/nurse\\_lf.html](http://www.tn.gov/collegepays/mon_college/nurse_lf.html)

### **Texas:**

Below is a description of a program that is managed by the Texas Higher Education Coordinating Board. Website: <http://www.hhloans.com/index.cfm?ObjectID=A85AA8AA-0CD1-EDD4-D9379C7C084059FB>

#### **Physician Education Loan Repayment Program**

The Physician Education Loan Repayment Program (PELRP) provides loan repayment funds to physicians who agree to practice in a Health Professional Shortage Area (HPSA) for at least four years. Participating physicians must provide health care services to recipients enrolled in Medicaid and the TX Children's Health Insurance Program (CHIP).

The 2012-2013 state budget shortfall presented extraordinary challenges, resulting in the elimination of funding for many programs and significant cuts to others. Funding for the Physician Education Loan Repayment Program was reduced from \$22 million for the 2010-2011 biennium, to \$5.6 million for the 2012-2013 budget period. For this reason, **no new participants will be accepted into the program** during the next two years.

#### **Funding Update For Participating Physicians**

The Coordinating Board will disburse loan repayment awards for physicians who are currently participating in the program, upon completion of service periods ending on or before August 31,

2013. We will continue to explore any options for issuing loan repayment awards for service periods ending after August 31, 2013. In the event that funds are not appropriated for this purpose in the 2013 legislative session, current participants will be released from their remaining service obligations.