

REPORT BY THE U.S.

# General Accounting Office

*12/28/79*

## Information On Federally Assisted Health Professions Scholarship Programs

This report contains information on the Armed Forces Health Professions Scholarship Program as well as on several other federally assisted scholarship programs which are viewed by some DOD officials as competing with DOD's program.

GAO's review was made pursuant to a request from Representative Charles E. Bennett.



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*Report*

HRD-79-57

MARCH 9, 1979



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

HUMAN RESOURCES  
DIVISION

March 9, 1979

B-133316

The Honorable Charles E. Bennett  
House of Representatives

Dear Mr. Bennett:

This is in response to your letter of January 9, 1979, requesting information on federally assisted civilian health education assistance programs that may impact on the Department of Defense's (DOD's) efforts to attract medical students for its Armed Forces Health Professions Scholarship Program.

At your request, we briefed you on February 28, 1979, concerning the principal differences between DOD's scholarship program and the Department of Health, Education, and Welfare's (HEW's) National Health Service Corps Scholarship Program. This latter program has been identified by DOD officials as the Federal program most closely resembling DOD's scholarship program and the one offering the most competition to DOD's program. At the February 28, 1979, briefing you asked for (1) a narrative comparison of the two programs and (2) a description of other federally assisted health education programs to train physicians for practice in the civilian sector. Your office requested our report by March 12, 1979, for your use in hearings on that date.

Appendix I to this letter compares the provisions of the programs, including eligibility, scholarship benefits, - taxation of benefits, service obligations, service deferments for graduate professional training (internship and residency), pay and other benefits during obligated service, and penalties for failure to complete obligated service. The appendix also contains data on the number of participants in each

HRD-79-57

program and a discussion of opinions of DOD and HEW officials on DOD's recent problem in meeting its recruiting quotas for medical scholarship students. Officials from both Departments cited the general preference of medical students to train for practice in the civilian sector rather than in the military as providing the National Health Service Corps program a competitive advantage over the DOD program in attracting medical students.

We have identified the following other federally assisted civilian scholarship and loan programs for medical students:

- Health Education Assistance Loan Program,
- Exceptional Financial Need Scholarship Program,
- Health Professions Student Loan Program,
- Indian Health Scholarship Program, and
- Lister Hill Scholarship Program.

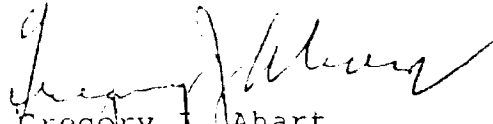
Appendix II describes the other five programs and provides data on program participants. Because a student may apply for financial assistance to (1) one or more of the above programs, (2) the National Health Service Corps program, and (3) each of the three military services under the DOD scholarship program, the programs may, to some extent, compete with each other for medical students.

In addition to the seven programs discussed in appendixes I and II, many other Government-sponsored student assistance programs not directed toward health professions students (such as the National Direct Student Loan Program and the Veterans Educational Assistance Program (GI Bill)) are available to medical students as well as to other graduate and undergraduate students. We did not attempt to identify all such programs which may be of benefit to medical students.

Although the information provided in the appendixes was provided to us through discussions with and data provided by

DOD and HEW officials, we did not discuss the contents of this report with them. However, as agreed with your office, - we will provide copies of this report to both Departments as well as to others who may be interested in its contents.

Sincerely yours,

  
Gregory J. Ahart  
Director

COMPARISON OF THE ARMED FORCES HEALTH PROFESSIONS  
AND NATIONAL HEALTH SERVICE CORPS SCHOLARSHIP PROGRAMS

The following discussion compares the provisions of the Department of Defense's (DOD's) Armed Forces Health Professions scholarship program and the Department of Health, Education, and Welfare's (HEW's) National Health Service Corps (NHSC) scholarship program, and summarizes the opinions of DOD and HEW officials on the impact the differences in the two programs have had on DOD's efforts to attract program participants.

BACKGROUND

Both DOD and NHSC scholarship programs are intended to reduce shortages of physicians and other health professionals; the DOD program in the military and the NHSC program in the civilian sector.

The DOD scholarship program was authorized by the Uniformed Services Health Professions Revitalization Act of 1972 (Public Law 92-426). The program, which provides scholarships to medical and other health professions students in return for specified periods of active military service, was intended to enable DOD to more effectively compete for the services of physicians and other health professionals after the draft ended. It is expected to account for over half of the physicians entering military service and is considered a crucial factor in DOD's efforts to attain an adequate level of physician staffing.

By law, the number of program participants in the DOD scholarship program may not exceed 5,000 at any one time.

The NHSC scholarship program was established by the Health Professions Educational Assistance Act of 1976 (Public Law 94-484) as the successor to the Public Health Service (PHS) scholarship program. NHSC was established as part of the Public Health Service to improve the delivery of health care to residents in areas critically short of health personnel. It consists of uniformed commissioned officers in the Public Health Service and Federal civilian personnel. The NHSC scholarship program provides scholarships to medical and other health professions students in return for specified periods of professional service in federally designated health manpower shortage areas. It is intended to insure an adequate supply of physicians,

dentists, nurses, and, if needed, other health professionals to NHSC.

The first NHSC scholarships were awarded in 1978; however, similar scholarships were awarded under the PHS scholarship program from 1973 to 1978. The number of scholarships that may be awarded under the NHSC program is not specified in the authorizing legislation. Rather, the number of scholarships that may be awarded depends on the size of each year's appropriations and the values of the scholarships awarded.

#### Who is eligible for a scholarship?

Both DOD and HEW are authorized to award scholarships to any full-time student enrolled in or accepted for enrollment in an accredited institution who is pursuing studies in medicine, dentistry, osteopathy, or other related health professions. However, in 1978 DOD limited scholarships to medicine, veterinary medicine, optometry, podiatry, and Ph.D. level clinical psychology. The majority of scholarships under both programs are awarded to medical students.

Students can apply to more than one service for a DOD scholarship and to HEW for a NHSC scholarship or other financial assistance.

#### What do the scholarships provide?

The DOD and NHSC scholarships cover tuition and reasonable educational expenses (such as books and laboratory costs) and provide for a stipend. However, the programs differ in the amount and number of months for which the stipend is paid. In addition, participants in the DOD program spend 45 days on active duty each year they are in the program.

Most DOD scholarship participants are commissioned in a reserve component of one of the Services at the pay grade of O-1 (equivalent to 2d lieutenant or ensign). While on their 45 days of active duty each year, they receive full pay and allowances of that grade and other military benefits. Program participants receive approximately \$1,468 for the 45 days of active duty. The program participants also benefit from military pay raises.

The program participant receives the active duty pay even if he/she remains at school during the active duty

period. In fiscal year 1978, about one-third of the DOD program participants spent their active duty period at school.

Except when serving on active duty, participants receive a monthly stipend of \$400. There is no cost-of-living provision to increase the stipend. The total yearly stipend for all DOD scholarship program participants is \$4,200 (\$400 times 10.5 months). Thus the yearly income for a first-year program participant totals \$5,668 (\$4,200 stipend plus \$1,468 active duty pay).

The NHSC scholarship program currently pays a monthly stipend of \$429--\$5,148 per year. The stipend increases yearly by the same percentage as that applied to Federal employees' salaries. In July 1979 the stipend will be increased to \$453 (\$5,436 yearly) to reflect the 5.5-percent pay increase received by Federal employees in October 1978.

Are program benefits taxable?

The Internal Revenue Service has ruled that benefits received under the DOD and NHSC scholarship programs are taxable. However, benefits of both programs have been given tax-exempt status in the past through temporary moratoriums. The most recent moratorium, contained in Section 161(a) of the Revenue Act of 1978 (Public Law 95-600), extended the tax exemption to cover students participating in the programs before January 1, 1980, for amounts received through calendar year 1983.

What service obligations do scholarship recipients incur?

Although the DOD and NHSC scholarship programs require 1 year of service for each year of program support, they differ in their requirement for minimum service obligation. Neither program allows satisfaction of the payback service during internship or residency training.

Under the DOD program obligated service is performed as an active duty military officer. DOD scholarship program policy requires a minimum payback obligation of 2 years. However, DOD requires that scholarship program participants enlist in the military for at least 3 years, making the effective minimum obligated service 3 years. A DOD official said that most program participants receive at least 3 years of scholarship support, and thus would have a 3-year service obligation anyway.

Furthermore, although time spent in internship or residency while on active military duty is not credited toward obligated service, it is credited toward the 3-year minimum term of enlistment. Thus, program participants with a 2-year service obligation who perform their internship in a military facility, as most do, are not affected by the 3-year minimum enlistment since they would be required to serve 3 years anyway.

The NHSC scholarship program requires a minimum 2-year obligation to serve in a health manpower shortage area. The Health Professions Educational Assistance Act of 1976 states that the obligated service may be performed

- as a commissioned officer in the Regular or Reserve National Health Service Corps;
- as a civilian member of the Corps; or
- under specified conditions, in private full-time clinical practice in a health manpower shortage area.

If the Secretary of HEW determines there is no need for a scholarship recipient in a health manpower shortage area, the individual's obligated service may be performed as a full-time employee practicing his/her profession in any unit of HEW.

Scholarship recipients whom the Secretary, HEW, determines to have exceptional promise for medical research, may be allowed to perform their service obligation as participants in the National Research Service Award program. National Research Service Awards are post-doctoral fellowships requiring a service obligation for research and teaching.

However, HEW officials said that implementing regulations have not yet been issued establishing conditions under which service obligations may be met through private practice.

What provisions are made for graduate professional training?

DOD is not required to defer obligated service until DOD scholarship program graduates complete graduate professional training (internship and residency). By contrast, HEW is required by law to defer obligated service, upon request, for up to 3 years to allow completion of graduate training in medicine, osteopathy, or dentistry.



Although DOD is not required to defer obligated service, it does as a matter of policy defer service until a 1-year internship is completed. Under the NHSC program, a 1-year internship is required for medical and osteopathic graduates before obligated service can be done.

According to a DOD official, residencies are often postponed until some or all obligated service is completed. The official said that the likelihood of a participant being required to postpone residency is a great disincentive for a medical student to choose the DOD program. However, she said that the Services continue to postpone residencies because of the current shortage of physicians in DOD and, that as the physician shortage is lessened, fewer postponements will be required.

Based on projections provided to DOD by the Services in April 1978, it was estimated that residencies would be postponed for 1 or more years for 34 percent of the DOD program graduates in the Army, 50 percent of those in the Navy, and 23 percent of those in the Air Force.

Is further service obligation  
incurred for graduate training?

Although there are no statutory requirements for additional service obligations for time spent in internship or residency under either the DOD or NHSC scholarship program, DOD requires additional service obligations in certain situations. HEW does not require additional service obligations under the NHSC program in exchange for time spent in graduate training.

When a DOD program graduate performs his/her residency in a civilian facility, but the residency is "sponsored" by the military, DOD requires 1 year of obligated service for each year of residency. According to DOD, only about 5 percent of all residencies performed in 1978 by military personnel, including scholarship program graduates, were performed in a civilian "sponsored" status.

The second situation in which a person performing a military residency incurs additional service obligation occurs under DOD's "retainability" policy. This policy requires that a scholarship program participant performing a military residency agree to remain in the service for 2 years following completion of residency, regardless of the length of the residency. Thus, even though a

participant's remaining service obligation after completion of a residency would have been less than 2 years, the participant must serve at least 2 years following residency.

The retainability policy recently replaced a DOD policy requiring an additional half year of service for each year of military residency.

What pay and benefits are received while performing obligated service?

Pay and other benefits during obligated service are the same under the two programs, unless NHSC graduates perform their service in a civilian capacity.

According to HEW officials, NHSC graduates who elect to serve their obligation as a commissioned Corps officer receive the same pay, allowances, and benefits as DOD graduates because the military pay system applies to all commissioned officers of the uniformed services. Under both programs an unmarried scholarship graduate with 1 year of internship training would receive starting annual pay and allowances of \$19,747. A married graduate would receive \$20,399. In addition, both DOD and NHSC physicians receive annual special pay of \$1,200 per year for the first 2 years of service and \$4,200 per year thereafter. Therefore, the total starting pay of an unmarried graduate of either scholarship program would be \$20,947. DOD and National Health Service Corps officers also receive such benefits as retirement, commissary privileges, malpractice protection, and sick leave.

Those who elect to serve as civilian members of the Corps would be paid an annual starting salary of \$25,041. Starting pay is higher if the individual begins obligated service after his/her residency is completed.

What other benefits are available after graduation?

Medical graduates of both programs may be eligible for variable incentive pay of up to \$13,500 annually if they

- have completed their initial active duty obligation, or the first 4 years of an obligation exceeding 4 years and
- are not undergoing internship or residency training.

Are program participants assisted  
in setting up private practice?

Under the Health Professions Educational Assistance Act of 1976, scholarship participants who complete obligated service in the NHSC are eligible for one-time grants of up to \$25,000 to aid them in starting private practice. To be eligible for such a grant, an individual must start practice in a health manpower shortage area and must agree to certain conditions (e.g., fees he/she will charge). Grants of \$12,500 may be given to physicians practicing in a shortage area for at least 1 year but less than 2 and \$25,000 for practices of 2 or more years. No NHSC graduate has yet become eligible for such grants and HEW has not yet issued regulations implementing this provision of the law.

There is no similar provision in the DOD program.

What is the penalty for failure  
to complete obligated service?

Program participants who fail to complete their education or obligated service are treated differently under the DOD and NHSC scholarship programs.

DOD program participants who fail to complete their education or obligated service may be relieved of their incurred service obligation, required to reimburse the Government for all scholarship benefits, or required to serve in another appropriate military capacity. Program participants may not, however, be relieved of active duty obligations solely because they are willing and able to reimburse the Government for benefits received. According to a DOD official, participants are seldom relieved of obligated service, and repayment of benefits is seldom allowed.

Under Public Law 94-484, any individual who fails to accept payment for a scholarship that has been offered under the NHSC program shall pay \$1,500 in liquidated damages, in addition to fulfilling any service or other obligation or liability under the contract signed when the individual applied for the scholarship. An HEW official said that the Department allows a grantee to withdraw without penalty after a scholarship has been awarded until the first scholarship payment has been made. An individual who fails to complete his/her education must repay the total value of the scholarship benefits in lieu of fulfilling his/her service obligation.

Graduates of the NHSC program may, if they choose, buy out of their obligation. If they do, however, they must repay three times the value of the scholarship benefit (plus interest) within 1 year. The repayment is prorated according to the amount of obligated service remaining.

Have the programs been successful in attracting program participants?

DOD officials said that the DOD scholarship program has generally been successful in attracting enough program participants to fill available slots. According to a DOD official there were 4,877 scholarship students during fiscal year 1978, of which 3,941 were medical students.

DOD's recruiting goal for medical students was 26 percent higher in fiscal year 1978 than in the preceding year. As a result, although on an overall basis DOD fell 10-percent short of its 1978 recruiting goal for new medical students, there was an increase in the actual number of new medical students recruited over the number recruited in 1977. In fiscal year 1978 DOD filled 1,209 out of 1,343 available medical scholarship positions, whereas in fiscal year 1977 it filled 1,044 out of 1,064 slots.

According to HEW officials appropriations for the NHSC program (and its predecessor, the Public Health Service Scholarship Program) have been fully obligated every year. Consequently, HEW is in effect awarding the maximum number of scholarships available each year. Program appropriations and the number of scholarship awards have been increasing. For example, HEW awarded 3,570 scholarships in 1977 and 5,252 in 1978. Of those, 3,295 and 4,552, respectively, were to medical students.

Does DOD feel its scholarship program is competitive with the NHSC program?

DOD officials attribute their failure to meet their 1978 scholarship program recruiting goal to several factors including, but not limited to, a general negative feeling in the medical community about military service and competition from the NHSC program.

The factors cited by DOD officials as impacting on its ability to attract program participants include

- the larger stipend paid under the NHSC program,
- = --the longer service obligation under the DOD program,
- the startup grants available to NHSC but not DOD program graduates,
- the deferred eligibility of DOD program graduates for variable incentive pay,
- uncertainty over the tax status of scholarship program benefits,
- deferred residencies under the DOD program, and
- the "buy out" provisions of the NHSC program.

DOD officials consider the larger NHSC program stipend a recruiting advantage of the NHSC program, and said they are drafting legislation to include the same cost-of-living provisions in the DOD program that are in the NHSC program. Although total annual income is greater under the DOD program when active duty pay is considered, DOD officials do not believe active duty pay should be considered a program benefit because

- active duty pay is not a grant since students are working for it;
- being in active duty status effectively prevents DOD program participants from obtaining full-time summer jobs--some NHSC students can supplement their income through summer jobs,
- students would rather receive a larger continuing monthly stipend than receive the increased pay for a short time, and
- requiring program participants to serve 45 days active duty is itself a recruiting disadvantage.

According to DOD the requirement for a minimum 3-year first term of enlistment may be viewed as a recruiting disadvantage to DOD when compared to the minimum 2-year service obligation under the NHSC program. However, a DOD official told us that few people receive less than 3 years of scholarship support and thus most would be obligated for 3 years anyway. Also, internship is credited toward a participant's completion of his/her 3 year enlistment.

In addition, DOD recognized that its policy of requiring a half year of obligated service for each year spent in a military residency may have hindered 1978 recruiting efforts and rescinded the policy.

A DOD official said that a provision allowing DOD to provide startup grants for students to enter private practice (similar to those available under the NHSC program) could help DOD in recruiting medical students, but could also reduce retention rates, making the long-term benefits of such a provision questionable.

According to DOD, although the same requirements apply to DOD and NHSC program graduates with respect to variable incentive pay, DOD's current interpretation of the provisions are hindering its recruiting efforts. Scholarship program graduates are the only DOD physicians who are allowed to count time spent in military internship and residency toward eligibility for variable incentive pay.

DOD is currently drafting legislation to enable DOD program graduates to count time spent in active duty residency or internship training toward the requirements for variable incentive pay. A draft discussion paper supporting the proposed legislation indicates that there is a serious morale problem among active duty DOD program graduates; it attributes much of the problem to variable incentive pay policies. The paper also states that recruiters have indicated that DOD program graduates' displeasure with these policies is being passed on to prospective DOD program recruits.

DOD considers the temporary nature of the tax exemption given for program benefits under both the DOD and NHSC programs a detriment to recruiting. Both DOD and HEW are seeking a legislative change to provide a permanent tax exemption.

A DOD official said that the likelihood of a DOD program graduate being required to defer residency is a great disincentive for medical students to choose the DOD program since NHSC graduates are allowed to defer obligated service for up to 3 years while completing graduate training. However, it should be noted that deferment of residencies result from a DOD program decision, not from a statutory requirement. The DOD official said that the 3-year maximum placed on deferral of obligated service under the NHSC program may be a disadvantage of that program because some medical specialties require more than 3 years of residency.

According to the DOD official, the perception of potential DOD program participants concerning an automatic "buy out" option under the NHSC program may be a recruiting advantage for the NHSC program even though a person obligated to NHSC must repay three times the value of the scholarship benefits plus interest within one year.

An HEW official said that the factors cited by the DOD officials may, to some extent, be disincentives for prospective program participants to select the DOD program. However, he believes the primary competitive advantage that the NHSC program has over the DOD program is the preference of medical students for civilian rather than military service.

OTHER FEDERAL MEDICAL SCHOLARSHIP AND LOAN PROGRAMSHEALTH EDUCATION ASSISTANCE LOANS

The Health Education Assistance Loan (HEAL) program authorizes Federal insurance to guarantee loans secured by graduate students enrolled at eligible health professions schools. Loans for educational expenses may be secured from eligible lenders such as banks, credit unions, savings and loan associations, pension funds, insurance companies, and eligible educational institutions. The HEAL program is patterned after but not identical to the Office of Education's Guaranteed Student Loan Program.

Students can have the Government repay their loan by agreeing to serve in a health manpower shortage area.

How was the program created?

The HEAL program, which is administered by the Office of Education, HEW, is authorized under Section 727, Title VII-C-I of the Public Health Service Act (42 U.S.C. 294-2941). It was established under the Health Professions Educational Assistance Act of 1976 (Public Law 94-484).

Who is eligible for a loan?

In general, a citizen or permanent resident of the United States who has not received any other guaranteed or federally insured student loan for the same academic year to be covered by the HEAL loan is eligible to receive a loan if he/she (1) has been accepted for enrollment as a full-time student or (2) is already in full-time attendance and in good standing at an eligible school of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, pharmacy, or public health.

Who can make a HEAL loan?

Eligible lenders include health professions schools, State agencies, commercial lenders, insurance companies, and pension funds.

What are the terms of the loans?

Eligible students (other than pharmacy students) may borrow up to \$10,000 per academic year up to a total of \$50,000. Pharmacy students are limited to \$7,500 per academic year up to a total of \$37,500.



Loans may be used only for educational expenses-- including tuition, fees, room and board, books, equipment, and interest on prior loans. Students who borrowed while in a health professions school may also borrow during periods of internship, residency, and authorized periods of deferment, but only to pay interest accruing on prior HEAL loans.

Interest may not exceed 12 percent per annum (annual percentage rate) of the unpaid balance of the loan. Interest may be paid on an ongoing basis or accrued until repayment begins. If interest is accrued, it is compounded semi-annually and added to the loan principal when repayment begins. An insurance premium, not to exceed 2 percent per annum, will be charged at the time an individual loan is processed.

There is no Federal interest subsidy under the HEAL program.

How is the loan to be repaid?

The loan principal is repayable over a 10- to 15-year period starting 9 to 12 months after completion of training. Payments of principal are not required during periods of up to 3 years of internship and residency training or service in the Armed Forces, National Health Service Corps, or Volunteers in Service to America.

Can a loan be forgiven or canceled?

A borrower may enter into a written contract under which the Federal Government will repay principal and interest at a rate of not more than \$10,000 a year for each year of service in an HEW-designated health manpower shortage area. The borrower would be obligated under the contract to perform a minimum of 2 years of service.

Federal payment for service will be at the option of the Federal Government and will be available only to the extent that vacancies exist in NHSC, unless there are shortage areas in the academic discipline for which the borrower obtained his/her training.

Breach of contract entitles the Government to recover damages of three times the amount of loan repayment.

Unpaid principal and interest are forgiven upon borrower's death or total and permanent disability.

Are there penalties for default on a HEAL loan?

The Federal Government guarantees the repayment of principal and interest. Under the law, loans can be discharged in bankruptcy under the Bankruptcy Act only if such discharge is granted after a 5-year period following commencement of the repayment period. Persons in professional practice who default on their loans may have receipts from any federally supported health care service (such as Medicare and Medicaid) reduced by the amount of the loan default.

How much money is available for HEAL loans?

The total principal amount of new loans made and installments paid pursuant to lines of credit to students covered by Federal loan insurance under the HEAL program could not exceed \$500 million for fiscal year 1978 and cannot exceed \$510 million for fiscal year 1979, and \$520 million for fiscal year 1980. Thereafter, loan insurance may be provided only for loans to enable students who received loans before October 1, 1980, to continue or complete their training.

How many students have received HEAL loans?

Regulations to implement the HEAL program were not made effective until September 1978. Accordingly, loans were first insured under the HEAL program in fiscal year 1979. As of February 16, 1979, 175 loans totaling about \$1.3 million had been insured. HEW anticipates that, during fiscal year 1980, 17,000 students will borrow \$136 million under the HEAL program. The borrowers are expected to consist of 8,500 medical students, 2,550 dental students, and 5,950 graduate students in other health fields.

EXCEPTIONAL FINANCIAL NEED SCHOLARSHIPS

The Exceptional Financial Need (EFN) scholarship program makes funds available to authorized health professions schools to award scholarships to full-time, first-year health professions students of exceptional financial need. Although funds must be distributed among all health professions schools, including schools of medicine, osteopathy, dentistry, veterinary medicine, optometry, pharmacy, and podiatry, priority must be given to schools of medicine, osteopathy, and dentistry.

How was the program created?

The EFN scholarship program, which is administered by the Health Resources Administration, Public Health Service, HEW, is authorized under Section 758 of the Public Health Service Act. The program was established under the Health Professions Educational Assistance Act of 1976 (Public Law 94-484), as amended by Public Law 95-83. The first scholarship awards were made for the 1978-79 school year.

Who is eligible for a scholarship?

Scholarships are available to full-time, first-year students at authorized health professions schools who have an exceptional financial need.

What expenses do the scholarships cover?

EFN scholarships provide the same benefits as NHSC scholarships, including payment of tuition, reasonable educational expenses, and a stipend. The benefits of the NHSC program are discussed in detail in appendix I.

Are there any service or financial obligations?

Scholarships are awarded without a service or financial obligation in order to encourage those needy students, who might otherwise be reluctant to do so, to pursue a career in one of the specified health professions.

How much money is available for EFN scholarships?

The availability of funds for EFN scholarships is shown below:

<u>Fiscal year</u>	<u>Authorization</u>	<u>Appropriation</u>	<u>Obligation</u>
	----- (millions) -----		
1978	\$16	5	5
1979	17	7	7
1980	18	(a)	

a/No funds were requested for the EFN scholarship program in the Health Resources Administration's budget submission.

How many students received  
loans for the 1978-79 school year?

According to the Bureau of Health Manpower, Health Resources Administration, 451 scholarships were awarded for the 1978-79 school year to first-year health professions students with exceptional financial need. The Bureau reported that about

- 43 percent of the scholarships went to minority students,
- 33 percent of the recipients were women, and
- 75 percent of the recipients were children of parents with an income of less than \$12,000 a year.

Of the recipients, 248 are studying medicine, 113 dentistry, 36 pharmacy, 23 osteopathy, 17 veterinary medicine, 9 optometry, and 5 podiatry.

HEALTH PROFESSIONS STUDENT LOAN PROGRAM

The Health Professions Student Loan (HPSL) program provides long-term, low-interest loans to students in need of financial assistance to pursue a course of study in specified health professions. The Federal Government makes contributions to loan funds at accredited schools of medicine, dentistry, osteopathy, optometry, pharmacy, podiatry, and veterinary medicine. Such Federal contributions cannot exceed 90 percent of the total capital contribution to each fund. The individual schools are responsible for selecting the loan recipients and determining the loan amounts.

How was the program created?

The HPSL program, which is administered by the Health Resources Administration, Public Health Service, HEW, is authorized under Section 740 through 744 of the Public Health Service Act. It was established under the Health Professions Educational Assistance Act of 1963 (Public Law 88-129). Major amendments to the program were made in the Health Professions Educational Assistance Act of 1976 (Public Law 94-484).

Who is eligible for a loan?

Loans are available to students pursuing a full-time course of study at a school of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, or pharmacy who are in need of a loan to pursue their studies. A student of medicine or osteopathy who plans to graduate after June 30, 1979, must have exceptional financial need to qualify for a loan.

What are terms of the loan?

An eligible student can borrow up to the cost of tuition plus \$2,500 at 7-percent interest. The amount of the loan depends on the student's financial need, taking into consideration (1) the income, assets, and resources of the student and his/her family, (2) support available from other sources (such as prizes, scholarships, veterans benefits, and repayable loans), and (3) the cost of full-time attendance at the school.

Loans are repayable over a 10-year period beginning 1 year after the student completes or otherwise ceases to pursue the prescribed full-time course of study. No interest accumulates before the beginning of the repayment period.

Repayment of principal may be deferred up to 3 years while the borrower is on full-time active duty in the Uniformed Services or a volunteer under the Peace Corps Act. Repayment can also be deferred during periods of advanced professional training, including internships and residencies. Interest does not accrue during periods of deferment.

Can a loan be forgiven?

Borrowers agreeing to practice medicine, dentistry, osteopathy, optometry, pharmacy, podiatry, or veterinary medicine in an area in a State which has been determined to have a shortage of and need for persons trained in the borrowers' profession can have a portion of their loan repaid by the Government. Under certain circumstances the Government will repay 60 percent of the outstanding principal and interest on HPSL loans in exchange for at least 2 years practice in a shortage area. An additional 25 percent of the loan(s) will be repaid for a third year of practice in a shortage area.

In addition, the Government may repay any outstanding HPSL loans for individuals failing to complete their health professions studies if the borrower is (1) in exceptionally needy circumstances, (2) from a low-income or disadvantaged family, and (3) not expected to resume his/her studies within two years.

How much money is available for HPSL loans?

The following table shows the amounts of funds authorized and appropriated for HPSL loans.

<u>Fiscal year</u>	<u>Authorization</u>	<u>Appropriation</u>	<u>Obligation</u>
	----- (millions) -----		
1977	\$39.1	24	24
1978	26.0	20	20
1979	27.0	a/10	-
1980	28.0	(b)	-

a/Under recision consideration by the administration.

b/HEW's fiscal year 1980 budget request did not contain a request for funds under the HPSL program.

According to an HEW official, the proposed recision is based on the availability of assistance from other programs, particularly NHSC and HEAL.

How many students receive loans?

According to the Health Resources Administration, the HPSL program has assisted approximately 248,000 students since 1970. The following table shows the number of loan recipients by field of study for 1977 through 1979 (projected):

<u>Recipients</u>	<u>1977</u>	<u>1978</u>	<u>1979</u> <u>(projected)</u>
Medicine	7,086	6,695	3,348
Osteopathy	595	392	196
Dentistry	2,605	2,418	1,209
Other health profession	5,854	3,695	1,847
Total	<u>16,140</u>	<u>13,200</u>	<u>6,600</u>

The average loan was \$1,200 dollars in 1977 and \$1,500 in 1978.

INDIAN HEALTH SCHOLARSHIPS

The Indian Health Scholarship Program was created as a separate authority in the National Health Service Corps to provide scholarships to Indian students pursuing studies in medicine, osteopathy, dentistry, optometry, pharmacy, podiatry, veterinary medicine, public health, nursing, or allied health professions.

How was the program created?

The Indian Health Scholarship Program, which is administered by the Indian Health Service, Health Services Administration, HEW, is authorized under Section 757 of the Public Health Service Act. The program was established by the Indian Health Care Improvement Act (Public Law 94-437).

Who is eligible for a scholarship?

The Indian Health Service will select scholarship recipients--giving priority to Indians--and distribute the scholarships among health fields according to the needs of Indians. Recipients must be full-time students.

What expenses do the scholarships cover?

Indian Health scholarships provide the same benefits as NHSC scholarships, including payment of tuition, reasonable educational expenses, and a stipend. The benefits of the NHSC program are discussed in detail in appendix I.

Are there any service or financial obligations?

Scholarship recipients are required to perform payback on a year-for-year basis and are required to serve a minimum of 2 years. The service obligation must be met by service in the Indian Health Service in a program assisted under Title V of the Indian Health Care Improvement Act (Health Services for Urban Indians) or in private practice in a health manpower shortage area which serves the health care needs of a substantial number of Indians. Other requirements governing obligated service in the NHSC program apply to Indian Health scholarship recipients. The NHSC program requirements are discussed in detail in appendix I.

How much money has been authorized for Indian Health scholarships?

Funding authorizations and appropriations for Indian Health Scholarships are shown below.

<u>Fiscal year</u>	<u>Authorization</u>	<u>Appropriation</u>
	(millions)	
1978	\$5.5	\$2.6
1979	6.3	3.6
1980	7.2	-

How many students receive scholarships?

During 1978, the Indian Health Scholarship Program awarded 337 scholarships. The program expects to award 400 scholarships in 1979.

LISTER HILL SCHOLARSHIPS

Although the Lister Hill scholarship program was established under the Health Professions Educational Assistance Act of 1976 (Public Law 94-484), no funds have been appropriated for the program and no scholarships have been awarded. If the program is funded, the Secretary of HEW can award scholarship grants of up to \$8,000 a year for 4 years to at least 10 medical school students who agree to enter family practice medicine in a health manpower shortage area. The program's authorization was for a period of 4 years. Funding authorization and the then-expected numbers of participants in the Lister Hill scholarship program were:

<u>Fiscal year</u>	<u>Authorized funding</u>	<u>Expected number of students</u>
1977	\$ 80,000	10
1978	160,000	20
1979	240,000	30
1980	320,000	40



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