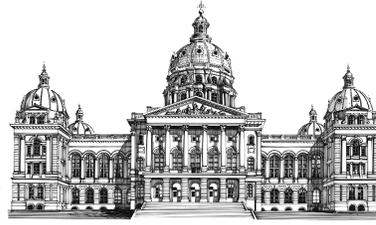

Iowa Legislative Fiscal Bureau

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State Capitol
Des Moines, IA 50319
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Osteopathic Primary Care

ISSUE

A review of the first quarter report of the Osteopathic Primary Care Program appropriation.

AFFECTED AGENCIES

The University of Osteopathic Medicine and Health Sciences (UOMHS)

The College Student Aid Commission (CSAC)

CODE AUTHORITY

Senate File 233, Section 6.3 (Education Appropriations Bill)

BACKGROUND

The State has provided appropriations to the UOMHS for 2 purposes. These include loans for Iowa resident students attending the University; and for the Subvention Program, which utilizes administrative funds to reserve seats for Iowa students in the Medical School at the UOMHS.

In SF 233, adopted during the 1993 Legislative Session, the General Assembly changed the focus of the Subvention Program appropriation to an initiative directing primary care physicians to areas where physician shortages exist. The Primary Care Program has 2 functions. One is to reduce the student loan debt for resident Iowa students in return for a fixed period of medical service in the State of Iowa. The second is for an Initiative in Primary Health Care to be determined by the UOMHS. The UOMHS is required to report quarterly regarding the expenditure of funds for both functions.

CURRENT SITUATION

The Primary Care Program appropriation is \$245,000 for FY 1994, \$122,500 for the reduction of student loan debt and \$122,500 for the Initiative in Primary Health Care. The CSAC permitted the UOMHS to draw the entire \$122,500 for the reduction of student loan debt though no students have agreed to the stipulations for medical service in Iowa necessary to receive the loan reductions (Attachment A). The UOMHS has deposited the funds in a bank

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trust account and will draw from this trust account if a doctor qualifies for the student loan debt reduction. The UOMHS has indicated that it is possible these funds will not be spent during FY 1994 and may only be encumbered. Intent language in SF 233 requires "...at least \$122,500 for the fiscal year beginning July 1, 1993, shall be *dedicated* to reducing student loan debt...". The CSAC and the UOMHS have interpreted the word "dedicated" to permit carryover of the funds to FY 1995. This should only occur if the funds not expended from the \$122,500 appropriation are encumbered for the purposes set forth. During the first quarter of FY 1994, the UOMHS did not expend or encumber any of the funds for either FY 1994 or FY 1995. There is also no requirement from the CSAC that the UOMHS return the unexpended funds remaining in FY 1995 to the State. The Department of Management approved the transaction.

In response to a request for copies of material used to promote the existence of the Program, the UOMHS provided copies of letters used to contact family practice residents and to contact local communities needing primary care physicians. The second letter indicates the community is encouraged to provide a 2-to-1 matching contribution, which would be \$60,000 for the proposed \$30,000 of State funds. The legislation does not specify an amount to be used for each student loan reduction, nor does it indicate a requirement for community funding match and the UOMHS did not provide a rationale as to how the amounts were determined.

In regard to the \$122,500 for the Initiative in Primary Health Care, the UOMHS plans to "provide a flexible continuum of medical training from undergraduate medical school through completion of the primary care residency program," by developing a degree program entitled "Student Community Primary Care Initiative Program." Examples include offering first year Drake University students the opportunity to enroll at the UOMHS after 3 years at Drake and providing financial incentives to specialize in family practice.

The budget for the Initiative in Primary Health Care indicates the UOMHS plans to use 15.5% on personnel, 16.3% on travel, 11.6% on professional services, 17.3% on training, 28.8% on primary care scholarships, and 10.5% on office supplies, postage, printing, telephone, and outside services. During the first quarter of FY 1994, only \$4,900 (4.0%) of the appropriation was expended.

ALTERNATIVES

The CSAC could require the UOMHS to contract with resident physicians before permitting the funds to be released from the State General Fund instead of permitting the UOMHS to draw the entire half of the appropriation for the Primary Care Program without having contracts in place with resident physicians to reduce student loan debt.

The UOMHS is concerned that the payment for the student loan debt reduction has tax implications, since the loan forgiveness must be treated as income on the student's tax return. One solution suggested by the UOMHS is to provide smaller payments over the period of the contract rather than a single payment. If periodic payments are approved, the entire appropriation would not be needed each year. If the Program continues, the appropriation need might increase beyond the FY 1994 appropriation amount, depending on the length of the contracts and the number of physicians participating in the Program.

BUDGET IMPACT

If the UOMHS does not contract with resident physicians for the student loan debt reduction and only encumbers the funds during FY 1994, the FY 1995 appropriation could be reduced by \$122,500.

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