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<sup>S</sup> <sup>Education</sup>  
S-4/10/97 Unfinished Business Calendar

FEB 28 1997  
Place On Calendar

HOUSE FILE 410  
BY COMMITTEE ON EDUCATION

(SUCCESSOR TO HSB 45)

Passed House, Date 3-25-97 (p. 774) Passed Senate, Date 4/22/97  
Vote: Ayes 97 Nays 0 Vote: Ayes 47 Nays 0  
Approved May 7, 1997 (p. 1332)

A BILL FOR

1 An Act relating to programs administered by the college student  
2 aid commission and establishing an osteopathic physician  
3 recruitment program.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 410

1 Section 1. Section 261.19, Code 1997, is amended by  
2 striking the section and inserting in lieu thereof the  
3 following:

4 261.19 OSTEOPATHIC PHYSICIAN RECRUITMENT PROGRAM.

5 1. A physician recruitment program is established, to be  
6 administered by the college student aid commission, for the  
7 university of osteopathic medicine and health sciences of Des  
8 Moines, Iowa. The program shall consist of a forgivable loan  
9 program and a tuition scholarship program for students and a  
10 loan repayment program for physicians. The commission shall  
11 regularly adjust the physician service requirement under each  
12 aspect of the program to provide, to the extent possible, an  
13 equal financial benefit for each period of service required.  
14 From funds appropriated for purposes of the program by the  
15 general assembly, the commission shall pay a fee to the  
16 university of osteopathic medicine and health sciences for the  
17 administration of the program. A portion of the fee shall be  
18 paid by the commission to the university based upon the number  
19 of physicians recruited under subsection 4.

20 2. A forgivable loan may be awarded to a resident of Iowa  
21 who is enrolled at the university of osteopathic medicine and  
22 health sciences if the student agrees to practice in this  
23 state for a period of time to be determined by the commission  
24 at the time the loan is awarded. Forgivable loans to eligible  
25 students shall not become due and interest on the loan shall  
26 not accrue until after the student completes a residency  
27 program. If the student completes the period of practice  
28 established by the commission and agreed to by the student,  
29 the loan amount shall be forgiven. The loan amount shall not  
30 be forgiven if the osteopathic physician fails to complete the  
31 required time period of practice in this state or fails to  
32 satisfactorily continue in the university's program of medical  
33 education.

34 3. A student enrolled at the university of osteopathic  
35 medicine and health sciences shall be eligible for a tuition

1 scholarship for the student's study at the university. The  
2 scholarship shall be for an amount not to exceed the annual  
3 tuition at the university. A student who receives a tuition  
4 scholarship shall not be eligible for the loan repayment  
5 program provided for by this section. A student who receives  
6 a tuition scholarship shall agree to practice in an eligible  
7 rural community in this state for a period of time to be  
8 determined by the commission at the time the scholarship is  
9 awarded. The student shall repay the scholarship to the  
10 commission if the student fails to practice in a medically  
11 underserved rural community in this state for the required  
12 period of time.

13 4. A physician shall be eligible for the physician loan  
14 repayment program if the physician agrees to practice in an  
15 eligible rural community in this state. The university of  
16 osteopathic medicine and health sciences shall recruit and  
17 place physicians in rural communities which have agreed to  
18 provide additional funds for the physician's loan repayment.  
19 The contract for the loan repayment shall stipulate the time  
20 period the physician shall practice in an eligible rural  
21 community in this state. In addition, the contract shall  
22 stipulate that the physician repay any funds paid on the  
23 physician's loan by the commission if the physician fails to  
24 practice in an eligible rural community in this state for the  
25 required period of time. For purposes of this subsection,  
26 "eligible rural community" means a medically underserved rural  
27 community which agrees to match state funds provided on at  
28 least a dollar-for-dollar basis for the loan repayment of a  
29 physician who practices in the community.

30 5. The commission shall adopt rules pursuant to chapter  
31 17A to administer this section.

32 Sec. 2. Sections 261.18 and 261.19A, Code 1997, are  
33 repealed.

34

EXPLANATION

35 This bill replaces the osteopathic grant program, the

1 osteopathic subvention program, and the osteopathic forgivable  
2 loan program with a program titled the osteopathic physician  
3 recruitment program.

4 The osteopathic physician recruitment program provides for  
5 a forgivable loan program, a tuition scholarship program, and  
6 a physician loan repayment program.

7 As provided in the current osteopathic forgivable loan  
8 program, the bill provides that a student enrolled at the  
9 university of osteopathic medicine is eligible for loan  
10 forgiveness if the student is a resident of the state of Iowa  
11 and if the student agrees to practice in this state for a  
12 period of time to be determined by the commission at the time  
13 the loan is awarded.

14 Loans are not forgiven if a student does not finish the  
15 medical program or fails to complete the agreed upon time  
16 period of practice in the state.

17 Under the tuition scholarship program, a student who is  
18 enrolled at the university and is a resident of Iowa is  
19 eligible for a tuition scholarship. A student who receives a  
20 tuition scholarship is not eligible for the loan repayment  
21 program. The student who receives a tuition scholarship must  
22 agree to practice in this state for a period of time to be  
23 determined by the commission at the time the scholarship is  
24 awarded.

25 Under the physician loan repayment program, physicians who  
26 agree to practice in a rural community in the state are  
27 eligible for loan repayment under the program. The university  
28 is directed to recruit and place physicians in rural  
29 communities which have agreed to provide additional funds for  
30 the physician's loan repayment.

31 Students who received a tuition scholarship, and physicians  
32 for whom loan repayments were made, who fail to complete the  
33 agreed upon time period of practice in a rural community in  
34 the state, are required under the bill to repay the commission  
35 for moneys received under the tuition scholarship program or

1 physician loan repayment program.

2 Under the bill, the commission pays a fee to the university  
3 for the university's administration of the program.

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Grundberg  
Thomson  
Thomas

HSB 45  
EDUCATION

Succeeded By  
SF (HF) 410

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COLLEGE STUDENT  
AID COMMISSION BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to programs administered by the college student  
2 aid commission, establishing an osteopathic physician  
3 recruitment program, and authorizing licensing sanctions  
4 against individuals who default on obligations owed to or  
5 collected by the commission.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 261.2, Code 1997, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 15. Deny, revoke, or suspend, at the  
4 discretion of the commission, any license authorized by the  
5 laws of this state, as defined in section 252J.1, to any  
6 person who has defaulted on an obligation owed to or collected  
7 by the commission, in accordance with section 421.17,  
8 subsection 34, paragraph "e". The commission shall develop,  
9 in cooperation with state licensing authorities, as defined in  
10 section 252J.1, policies and procedures governing the denial,  
11 revocation, or suspension of the license of a person who has  
12 defaulted on an obligation owed to or collected by the  
13 commission. The policies and procedures shall include due  
14 process safeguards.

15 Sec. 2. Section 261.19, Code 1997, is amended by striking  
16 the section and inserting in lieu thereof the following:

17 261.19 OSTEOPATHIC PHYSICIAN RECRUITMENT PROGRAM.

18 1. A physician recruitment program is established, to be  
19 administered by the college student aid commission, for the  
20 university of osteopathic medicine and health sciences. The  
21 purpose of the program is to provide incentives for physicians  
22 to locate and practice in this state. The program shall  
23 consist of a forgivable loan program and a tuition scholarship  
24 program for students who are residents of this state and who  
25 are enrolled at the university and, for physicians who agree  
26 to practice in this state, a loan repayment program. The  
27 commission shall regularly adjust the physician service  
28 requirement under each aspect of the program to provide, to  
29 the extent possible, an equal financial benefit for each  
30 period of service required. From funds appropriated for  
31 purposes of the program by the general assembly, the  
32 commission shall pay a fee to the university for the  
33 administration of subsections 3 and 4. Fifty percent of the  
34 fee shall be paid by the commission to the university in  
35 quarterly payments and the remainder of the fee shall be

1 variable and shall be paid by the commission to the university  
2 based upon the number of physicians recruited under  
3 subsections 3 and 4, but shall not exceed fifty percent of the  
4 fee.

5 2. a. A student enrolled at the university of osteopathic  
6 medicine and health sciences shall be eligible for loan  
7 forgiveness under the forgivable loan program if the student  
8 is a resident of this state and if the student does the  
9 following:

10 (1) Graduates from the university of osteopathic medicine  
11 and health sciences.

12 (2) Successfully completes a residency program.

13 (3) Practices in this state.

14 (4) Receives a loan from moneys appropriated to the  
15 commission for this program.

16 b. A student who receives a forgivable loan shall agree to  
17 practice in this state for a period of time to be determined  
18 by the commission at the time the loan is awarded. If the  
19 student completes the time period established by the  
20 commission and agreed to by the student, the loan amount shall  
21 be forgiven. Forgivable loans to eligible students shall not  
22 become due and interest on the loan shall not accrue until  
23 after the student completes a residency program, but fails to  
24 complete the required time period of practice in this state,  
25 or fails to satisfactorily continue in the university's  
26 program of medical education.

27 3. A student enrolled at the university of osteopathic  
28 medicine and health sciences who is a resident of this state  
29 shall be eligible for a tuition scholarship for both the third  
30 and fourth years of the student's study at the university.  
31 The scholarship shall be for an amount not to exceed the  
32 annual tuition at the university. A student who receives a  
33 tuition scholarship shall not be eligible for the loan  
34 repayment program provided for by this section. A student who  
35 receives a tuition scholarship shall agree to practice in an



1 eligible rural community in this state for a period of time to  
2 be determined by the commission at the time the scholarship is  
3 awarded. The student shall repay the scholarship to the  
4 commission if the student fails to practice in an eligible  
5 rural community in this state for the required period of time.

6 4. A physician who graduated from the university of  
7 osteopathic medicine and health sciences and received a loan  
8 from moneys appropriated to the commission for purposes of  
9 this section shall be eligible for the physician loan  
10 repayment program if the physician agrees to practice in an  
11 eligible rural community in this state. The university of  
12 osteopathic medicine and health sciences shall recruit and  
13 place physicians in rural communities which have agreed to  
14 provide additional funds for the physician's loan repayment.  
15 The contract for the loan repayment shall stipulate the time  
16 period the physician shall practice in an eligible rural  
17 community in this state, and that the physician repay any  
18 funds paid on the physician's loan by the commission if the  
19 physician fails to practice in an eligible rural community in  
20 this state for the required period of time.

21 Sec. 3. REPEAL. Sections 261.18 and 261.19A, Code 1997,  
22 are repealed.

23

#### EXPLANATION

24 This bill permits the college student aid commission to  
25 deny, revoke, or suspend any license authorized by the laws of  
26 this state to any person who has defaulted on an obligation  
27 owed to or collected by the commission. The bill also  
28 replaces the osteopathic grant program, the osteopathic  
29 subvention program, and the osteopathic forgivable loan  
30 program with a program titled the osteopathic physician  
31 recruitment program.

32 The osteopathic physician recruitment program provides for  
33 a forgivable loan program, a tuition scholarship program, and  
34 a physician loan repayment program for residents of Iowa  
35 enrolled at the university of osteopathic medicine and health

1 sciences.

2 As provided in the current osteopathic forgivable loan  
3 program, the bill provides that a student enrolled at the  
4 university of osteopathic medicine is eligible for loan  
5 forgiveness if the student is a resident of the state of Iowa  
6 and if the student graduates from the university, successfully  
7 completes a residency program, practices in this state, and  
8 receives a loan from the commission under this program.

9 Loans are not forgiven if a student does not finish the  
10 medical program or fails to complete the agreed upon time  
11 period of practice in the state.

12 Under the tuition scholarship program, a student enrolled  
13 at the university who is a resident of Iowa is eligible for a  
14 tuition scholarship for both the third and fourth years of the  
15 student's study at the university. A student who receives a  
16 tuition scholarship is not eligible for the loan repayment  
17 program. The student who receives a tuition scholarship must  
18 agree to practice in this state for a period of time to be  
19 determined by the commission at the time the scholarship is  
20 awarded.

21 Under the physician loan repayment program, physicians who  
22 graduated from the university of osteopathic medicine and  
23 health sciences, who received a loan from moneys appropriated  
24 to the commission for purposes of the osteopathic physician  
25 recruitment program, and who agree to practice in a rural  
26 community in the state are eligible for loan repayment under  
27 the program. The university is directed to recruit and place  
28 physicians in rural communities which have agreed to provide  
29 additional funds for the physician's loan repayment.

30 Students who received a tuition scholarship, or physicians  
31 for whom loan repayments were made, and who fail to complete  
32 the agreed upon time period of practice in a rural community  
33 in the state, are required under the bill to repay the  
34 commission for moneys received under the tuition scholarship  
35 program or physician loan repayment program.

1 Under the bill, the commission pays a fee to the university  
2 for the university's administration of the tuition scholarship  
3 program and the physician loan repayment program.

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TERRY E. BRANSTAD, GOVERNOR

IOWA COLLEGE STUDENT AID COMMISSION  
GARY W. NICHOLS, EXECUTIVE DIRECTOR

January 24, 1997

To: Members of the General Assembly

From: Stuart Vos *[Signature]*  
College Student Aid Commission

RE: College Student Aid Commission departmental bill

Attached is the College Student Aid Commission's request for a prefiled bill. The bill deals with two separate subjects under the Commission's purview.

The first part of the bill is intended to extend the state's license revocation provisions to student loans currently in default. The Department of Revenue and Finance and the Child Support Recovery Unit have obtained similar authority to withhold drivers license renewals, motor vehicle registrations and professional licenses from individuals who are not meeting their financial obligations to the state. The Commission is proposing similar legislation for defaulted student loan borrowers who are not current in payments.

The second part of the bill is a proposal to re-write Code Sections 261.18, 261.19, and 261.19A. These sections deal with the physician recruitment program at the University of Osteopathic Medicine and Health Sciences. The request is to delete the three sections and replace them with one section that covers the entire physician recruitment program.

The programs defined in Sections 261.18 and 261.19 are not currently funded or operational. The remaining changes codify the physician recruitment program currently provided in Session Law and implements recommendations of a study completed by the Commission, the University, and the Legislative Fiscal Bureau pursuant to Chapter 1215, Section 1, subsection 2 of the 1996 Acts. A copy of the study is attached for reference purposes. Please note that, while the Commission, the University and the Fiscal Bureau have all agreed to the recommendations in the study, the proposed bill represents the Commission's interpretation of legislative requirements. Neither the University nor the Fiscal Bureau has reviewed or endorsed the legislation.

For more information please contact Gary Nichols at 242-5067 or myself at 242-6688.

Thank you for your consideration.

# OSTEOPATHIC SCHOLARSHIP AND LOAN FORGIVENESS PROGRAMS

October 1996

## I. INTRODUCTION

The 1996 Iowa General Assembly required the Iowa College Student Aid Commission, the Legislative Fiscal Bureau, and the University of Osteopathic Medicine and Health Sciences to, "cooperatively develop and propose uniform time periods of medical practice which shall be served in the State in return for an allocation of State funds for purposes of the University of Osteopathic Medicine and Health Sciences. Proposals developed may relate to allocations of funds within a single appropriation concept and include contracting provisions."

(House File 2477).

This report summarizes the existing programs, analyzes tax implications of these programs, and makes recommendations formulated at the study participants' final work session. The programs studied and brief descriptions of each effort follow:

Osteopathic Primary Care Physician Debt Reduction Program (hereinafter referred to as Debt Reduction)

*The Debt Reduction Program funds repayment of student loans for physicians agreeing to practice medicine in an under served community.*

Osteopathic Primary Care Scholarship (hereinafter referred to as Osteopathic Scholarship)

*The Osteopathic Scholarship provides full tuition assistance for students agreeing to practice medicine in under served areas of the state.*

Iowa Osteopathic Forgivable Loan (hereinafter referred to as Forgivable Loan)

*The Forgivable Loan provides loan assistance to students that does not have to be repaid if the students practice medicine in Iowa.*

Osteopathic Enhanced Forgivable Loan (hereinafter referred to as Enhanced Loan)

*The Enhanced Loan is intended to provide increased loan assistance to scholars with exceptional need that does not have to be repaid if the students practice medicine in an under served community.*

**PRIMECARE Loan Repayment Program (hereinafter referred to as PRIMECARE Repayment)**

*The PRIMECARE Repayment Program funds the repayment of student loans for physicians agreeing to practice medicine in an under served community.*

**PRIMECARE Community Scholarship Program (hereinafter referred to as PRIMECARE Scholarship)**

*The PRIMECARE Scholarship Program provides tuition assistance for students agreeing to practice medicine in under served areas of the state.*

A more detailed description of each program will be found in sections II and III.

## **II. IOWA PROGRAMS**

### **Osteopathic Primary Care Physician Debt Reduction Program**

The Debt Reduction Program combines State assistance with community assistance. The State provides incentives of \$30,000 per placed osteopathic physician, and communities are encouraged to provide additional incentives of up to \$60,000.

The State funds are distributed by the University of Osteopathic Medicine and Health Sciences and are paid to lenders on behalf of qualifying graduates. Payments are made in the manner described in the section on tax implications. Community incentives are negotiated privately between the graduate and the community.

Physicians are expected to practice in an under served area of the state for four years. Four physician contracts were executed in Fiscal Year 1994, eight were executed in Fiscal Year 1995, and five were executed in Fiscal Year 1996.

### **Osteopathic Primary Care Scholarship**

The Osteopathic Scholarship is intended for students enrolled at the University of Osteopathic Medicine and Health Sciences. Each scholarship provides full tuition assistance (\$20,700 in 1996-97). Recipients are expected to practice in under served areas of the State at the rate of two years of practice for each year of scholarship assistance. Six students accepted awards in Fiscal Year 1995 and eight students accepted awards in Fiscal Year 1996.

### **Iowa Osteopathic Forgivable Loan**

Each Iowa resident attending the University of Osteopathic Medicine and Health Sciences is offered a loan of approximately \$3,500 per year depending on appropriations and the level of participation. The loan is forgiven if the recipient practices in Iowa and is forgiven at the rate of approximately \$3,500 for each year of practice. This program assisted 125 students in Fiscal Year 1994, 117 in Fiscal Year 1995, 107 in Fiscal Year 1996, and 109 in Fiscal Year 1997. Seventeen students

declined the loan in 1994, 12 students declined the loan in 1995, 7 students declined the loan in 1996, and 9 students declined the loan in 1997.

### **Osteopathic Enhanced Forgivable Loan**

The Enhanced Loan combines a promise to serve with academic achievement and financial need. To receive this loan, the students must agree to serve in a community with a population less than 20,000 and demonstrate both high academic achievement and exceptional financial need. Students would receive loans of \$11,500 per year that would be forgiven at the rate of \$11,500 for each year of practice in the qualifying community. The program was enacted in HF 2477 for one year. Funding was item vetoed.

## **III. FEDERAL PROGRAMS**

### **PRIMECARE Loan Repayment Program**

The Iowa Department of Public Health directs this federal initiative toward primary care health professionals who have completed their education and are available for placement. The program offers repayment of up to \$60,000 in return for two years of service in a designated health professional shortage area. Current participants have accepted \$30,000 in return for two years of service. Three participants were placed in FY 1996 through this matching federal grant.

### **PRIMECARE Community Scholarship Program**

The PRIMECARE Scholarship is a federal initiative directed toward health professional students in their last two years of medical study. The students are identified by their home communities and agree to return to family practice in those communities following completion of their studies and subsequent internships/residencies. The program offers annual scholarships of up to \$30,000 for each of the last two years of school in return for two years of service in a designated underserved health professional area. This program is funded through a matching federal grant; there are no participants to date.

## **IV. TAX IMPLICATIONS OF OSTEOPATHIC ASSISTANCE**

The Debt Reduction Program allows total payments of \$30,000 by the University of Osteopathic Medicine and Health Sciences from state appropriations. The University of Osteopathic Medicine and Health Sciences makes payments to lenders on behalf of qualifying graduates. Physicians report the payment as taxable income in four installments representing each of the four years of service obligation. Communities may make additional payments of up to \$60,000 based upon private agreements with the physicians. Although terms of the agreements vary, this analysis assumes that the \$60,000 would be paid in equal installments of \$15,000 for each of the four years.

Because the payments are made after graduation, the funds become taxable income for the recipients. Based upon an average reported income of \$109,000, a graduate

who is married, filing jointly, and receiving the award, would pay approximately \$27,000 in annual federal and state income tax. A typical annual income without repayment assistance would be approximately \$86,500 and the total tax would be approximately \$19,500. The difference of \$7,500 is the portion attributable to the Debt Reduction Program and is about 33.4 percent of the annual income provided by the program.

(Note: Readers are cautioned that the offsetting tax implications presented in this analysis are based on assumptions regarding the "typical" graduate of the University of Osteopathic Medicine and Health Sciences. Marginal tax rates and corresponding tax liabilities will vary considerably depending on each physician's financial situation. A detailed description of the methodology of this analysis is available upon request from the Legislative Fiscal Bureau. The Legislative Fiscal Bureau does not take a position as to whether or not it is prudent to consider the after-tax benefits rather than the pre-tax benefits to comply with the charge of HF 2477.)

## V. ANALYSIS

This analysis consisted of calculating annualized, after-tax benefits provided by the programs described in sections II and III for a year of service. The analysis is based on the assumption that a scholarship or a loan forgiveness payment provides an after-tax benefit which is the same as its face value, while a loan repayment program payment provides an after-tax benefit estimated at two-thirds of its face value.

For example, the Osteopathic Scholarship allows students to receive scholarships for up to two years with a cumulative benefit of approximately \$41,400. The cumulative obligation for this assistance is four years of service at an annualized rate of \$10,350. The estimated annual after-tax benefits for the programs studied are summarized below.

<u>Program</u>	<u>Estimated Annual After-Tax Benefit</u>
PRIMECARE Community Scholarship	\$30,000
PRIMECARE Loan Repayment	18,000
Osteopathic Primary Care Physician Debt Reduction	15,000
Osteopathic Enhanced Forgivable Loan *	11,500
Osteopathic Primary Care Scholarship	10,350
Iowa Osteopathic Forgivable Loan	3,500

\* FY 1997 funding item vetoed

Analyzing the programs according to the annualized service benefit provides the basis for determining the programs offering the most attractive benefits.

The PRIMECARE scholarship and the PRIMECARE Repayment Programs rank first and second among the programs studied with benefits of \$30,000 and \$18,000 respectively. The Debt Reduction Program is third with benefits of \$15,000. The Enhanced Loan and Osteopathic Scholarship rank fourth and fifth respectively compared to the \$3,500 Forgivable Loan which ranks sixth. However, the Osteopathic



Scholarship is generally packaged with \$3,500 Forgivable Loans for a combined annualized benefit of \$13,850. The combined benefits would rank the program below the Debt Reduction Program which offers an after-tax benefit of \$15,000.

Osteopathic Scholarship recipients are currently receiving awards totaling \$41,400 (\$10,350 annual after-tax benefit). By reducing the service requirement, the program benefits could be made more comparable to the repayment program. The following table shows options for various service levels and the estimated annualized benefit for each option.

<u>Total Benefit</u>	<u>Years Required</u>	<u>Annualized Benefit</u>
41,400	4	10,350
41,400	3	13,800
41,400	2	20,700

If the current scholarship payments of \$41,400 required three years of service rather than four, the program would provide annualized benefits of approximately \$13,800 compared to the current amount of \$10,350.

Similarly, the Forgivable Loan benefits could be enhanced by decreasing the service requirements. Decreasing the service requirements to one year in return for the cumulative loans of approximately \$14,000, would make these program benefits comparable to the Osteopathic Scholarship Program.

The Enhanced Loan could also be adjusted to provide comparable benefits. However, the scholastic and need-based features of this program might more appropriately be incorporated into the Osteopathic Scholarship.

The recommendations which follow propose uniform annual service benefits ranging from \$13,800 to \$15,000 per year of service. If the recommendations are implemented, the estimated after-tax annualized benefits for each program follow:

Osteopathic Scholarship	\$13,800
Forgivable Loan	\$14,000
Debt Reduction	\$15,000

## VI. RECOMMENDATIONS

The following recommendations are intended to provide comparable program benefits and to strengthen program effectiveness and reduce administrative burden at the school.

The recommendations are shown below:

1. Adjust the service requirement of the Forgivable Loan. Students with four years of forgivable loan assistance (\$14,000) would be required to provide one year of service in return for total forgiveness of the debt rather than the current four.
2. Waive interest for the Forgivable Loans while the recipients are in school. This feature is consistent with many student loan programs.
3. Reduce the Osteopathic Scholarship service obligation to require three years of service for two years of assistance. Scholars would not be eligible to receive funds from the Forgivable Loan.
4. Eliminate the \$50,000 administrative allowance for the Iowa Osteopathic Primary Care Programs. Replace this with a quarterly administrative allowance of \$6,250 and a contract fee that provides the school with \$3,000 to cover contract expenses for each service contract that places a physician within twelve months of the contract date. The total annual administrative appropriation will continue to be capped at \$50,000. The University of Osteopathic Medicine and Health Science officials will continue to be required to submit updates on a quarterly basis. Any funds remaining unused at the end of a fiscal year may be used in the following year to fund the Osteopathic Scholarship and Debt Reduction programs.
5. Codify provisions of the program. Provide for a single appropriation to fund all three components of the program.
6. Provide for subrogation of contracts to the Iowa College Student Aid Commission when a physician fails to perform the requirements of the contract. The State has a vested interest in ensuring physician contracts are honored and has the means through existing collection capability, including Department of Justice support, to enforce the contracts.



HOUSE FILE 410

AN ACT  
RELATING TO PROGRAMS ADMINISTERED BY THE COLLEGE STUDENT  
AID COMMISSION AND ESTABLISHING AN OSTEOPATHIC  
PHYSICIAN RECRUITMENT PROGRAM.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 261.19, Code 1997, is amended by striking the section and inserting in lieu thereof the following:

261.19 OSTEOPATHIC PHYSICIAN RECRUITMENT PROGRAM.

1. A physician recruitment program is established, to be administered by the college student aid commission, for the university of osteopathic medicine and health sciences of Des Moines, Iowa. The program shall consist of a forgivable loan program and a tuition scholarship program for students and a loan repayment program for physicians. The commission shall regularly adjust the physician service requirement under each aspect of the program to provide, to the extent possible, an equal financial benefit for each period of service required. From funds appropriated for purposes of the program by the general assembly, the commission shall pay a fee to the university of osteopathic medicine and health sciences for the administration of the program. A portion of the fee shall be paid by the commission to the university based upon the number of physicians recruited under subsection 4.

2. A forgivable loan may be awarded to a resident of Iowa who is enrolled at the university of osteopathic medicine and health sciences if the student agrees to practice in this state for a period of time to be determined by the commission at the time the loan is awarded. Forgivable loans to eligible students shall not become due and interest on the loan shall not accrue until after the student completes a residency

program. If the student completes the period of practice established by the commission and agreed to by the student, the loan amount shall be forgiven. The loan amount shall not be forgiven if the osteopathic physician fails to complete the required time period of practice in this state or fails to satisfactorily continue in the university's program of medical education.

3. A student enrolled at the university of osteopathic medicine and health sciences shall be eligible for a tuition scholarship for the student's study at the university. The scholarship shall be for an amount not to exceed the annual tuition at the university. A student who receives a tuition scholarship shall not be eligible for the loan repayment program provided for by this section. A student who receives a tuition scholarship shall agree to practice in an eligible rural community in this state for a period of time to be determined by the commission at the time the scholarship is awarded. The student shall repay the scholarship to the commission if the student fails to practice in a medically underserved rural community in this state for the required period of time.

4. A physician shall be eligible for the physician loan repayment program if the physician agrees to practice in an eligible rural community in this state. The university of osteopathic medicine and health sciences shall recruit and place physicians in rural communities which have agreed to provide additional funds for the physician's loan repayment. The contract for the loan repayment shall stipulate the time period the physician shall practice in an eligible rural community in this state. In addition, the contract shall stipulate that the physician repay any funds paid on the physician's loan by the commission if the physician fails to practice in an eligible rural community in this state for the required period of time. For purposes of this subsection, "eligible rural community" means a medically underserved rural

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community which agrees to match state funds provided on at least a dollar-for-dollar basis for the loan repayment of a physician who practices in the community.

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

Sec. 2. Sections 261.18 and 261.19A, Code 1997, are repealed.

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RON J. CORBETT  
Speaker of the House

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MARY E. KRAMER  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 410, Seventy-seventh General Assembly.

Approved May 7, 1997

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ELIZABETH ISAACSON  
Chief Clerk of the House

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TERRY E. BRANSTAD  
Governor

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