

**Nebraska Rural Health Advisory Commission's  
Annual Report  
of the  
Nebraska Rural Health Systems and Professional Incentive Act  
December 2010**

Nebraska Rural Student Loan Program

In 1979, the State of Nebraska began awarding low-interest loans to medical students who agreed to practice in shortage areas. Due to legislative changes over the years, the Nebraska Rural Student Loan Program now awards *forgivable* student loans to Nebraska medical, dental, physician assistant, and graduate-level mental health students who agree to practice an approved specialty in a state-designated shortage area.

The Nebraska Rural Student Loan Program allows Nebraska residents the opportunity to receive a forgivable loan while they are in training in exchange for an agreement to practice in a state-designated shortage area the equivalent of full-time for one year for each year a loan was received. Given four years of medical school and at least three years of residency training, a medical student loan recipient will not be available to practice in a shortage area for up to seven or more years. A lot of life changes happen during this time, which prompted the Rural Health Advisory Commission to recommend a legislative change in 2007 to reduce the buyout rate specifically for medical student loan recipients and encourage more medical students to apply and pursue one of the defined primary care specialties. These primary care specialties include family practice, general internal medicine, general pediatrics, general surgery, obstetrics and gynecology, and psychiatry.

Administrative changes, in 1998, were implemented to remind student loan recipients of their practice obligation with the goal that the success rate of recipients fulfilling their practice obligations would improve. Prior to 1998, buyout rates, historically, averaged about 50 percent. During the most recent 3-year period (2001-2003) for which data are available, the buyout rate has dropped to an average of 22%.

Dental students were added to the Nebraska Student Loan Program in 2000. The Nebraska Student Loan Program has been a good program for dental students interested in rural practice. Unlike the Nebraska Loan Repayment Program, dental student loan recipients do not have to find a local agency to match the state loan repayment funds and they can be self-employed and still receive forgiveness of their rural incentive student loans.

As of August 1, 2010, 29 dental student loans have been awarded by the Rural Health Advisory Commission, 11 dental student loan recipients are in practice receiving forgiveness, 2 have completed their practice obligation, 4 did a partial practice/forgiveness and buyout, 4 bought out their contracts and the rest (8) are still in training.

Graduate-level mental health students were added to the Nebraska Student Loan Program in 2004. Mental health students must be enrolled in a training program that meets the educational requirements for Licensed Mental Health Practitioner or Licensed Psychologist. As of August 1, 2010, 24 graduate-level mental health student loans have been awarded. Of these 24 mental

health student loan recipients, 13 are still in training, 9 are in practice receiving forgiveness, 1 has completed his/her practice obligation, and 1 is buying out his/her contract.

Table A shows the number of student loan awards issued each year from 2001 through 2010. Since 2001, the Rural Health Advisory Commission has awarded an average of 7 new student loans and 11 continuation student loans per year.

In 2000, legislation was passed that increased the amount of student loan awards for medical and dental students to up to \$20,000 per year. The amount of physician assistant student loans is up to \$10,000 per year as are master's level mental health student loans which were added in 2004. Since 2009, the Rural Health Advisory Commission has awarded student loans at the maximum amount of \$20,000 for doctorate-level students and \$10,000 for full-time master's level students.

### Nebraska Loan Repayment Program

In 1994, the Nebraska Legislature appropriated funding for the loan repayment program for health professionals willing to practice in a state-designated shortage area. Initially only physicians, nurse practitioners, and physician assistants practicing one of the defined primary care specialties, clinical psychologists, and master's level mental health providers were eligible for loan repayment. In 1998, pharmacists, occupational therapists, physical therapists, and dentists specializing in general dentistry, pediatric dentistry, or oral surgery were added to the program.

The Nebraska Loan Repayment Program requires community participation in the form of a local match and a 3-year practice obligation for the health professional. Communities within the state-designated shortage areas may apply for participation in the program. Communities must do their own recruiting, using the availability of the loan repayment program as a recruitment and retention tool.

Since 1994, 372 health professionals have participated or are participating in the Nebraska Loan Repayment Program. Sixty-nine percent (69%) of loan repayment recipients have completed their practice obligation. Twenty-two percent (22%) are currently serving their practice obligation in a state-designated shortage area. Only 9% of loan repayment applicants have defaulted on their practice obligation. Table B provides a summary of the Nebraska Loan Repayment Program from 1994 through 2010. As of December 2010, there are 81 *loan repayment* recipients in practice under obligation in rural or underserved areas of Nebraska.

### Impact of Nebraska's Rural Incentive Programs

As a result of both the rural incentive programs, there are over 90 licensed health professionals currently in practice under obligation providing access to health care services for over 700,000 people<sup>1</sup> living in Nebraska. These two rural incentive programs (student loans and loan repayment) are the only state-funded programs of this type to encourage health professionals to practice in state-designated shortage areas. The only limitation to these programs is the level of the state appropriation.

---

<sup>1</sup> Based on county populations.

## Rural Health Advisory Commission – Policy Report

Each year the Rural Health Advisory Commission (RHAC) Policy Committee reviews the policy goals for the RHAC and makes recommendations for continued or new priority focuses. In the past the RHAC has addressed the need for changes in the rural incentive programs, the need for a focus on rural and frontier Emergency Medical Services (EMS), the need for integrated health provider and training models to better serve our rural areas, and health insurance models for rural areas.

Since the last report in 2008, the RHAC has focused on one out of seven priorities: (Goal #1) incentive programs for rural health professionals. The Policy Committee recognizes that goal #1 is a “core” focus of the RHAC. The RHAC was successful in 2007 in proposing legislation to reduce the “disincentive” buyout rate (24 percent simple interest since the loan was granted) for student loan contracts. Effective July 1, 2007, the student loan contract buyout provision changed to 150 percent of the principal plus 8% simple interest at the time of default.

- (A) The RHAC continues to pursue a sustainable increase in the appropriation for the rural incentive programs. In March 2007, the RHAC sent a letter to the Legislative Appropriations Committee and the Governor. This letter included the following information:

*“Funding for the rural incentive programs (Nebraska Student Loan Program and Nebraska Loan Repayment Program) has been eroding since 1998.*

- *In 1998, the Nebraska Loan Repayment Program was expanded to include 4 additional health professionals.*
- *In 2000, dental students were added to the Nebraska Student Loan Program and the maximum amount of student loan awards was doubled.*
- *In 2004, graduate-level mental health students were added to the Nebraska Student Loan Program.*
- *In 2006, the maximum amount of loan repayment was doubled.*

**No new general funds were appropriated for these expansions to the incentive programs;** however, additional cash spending authority was appropriated for the mental health student loans. These changes have resulted in a reduction of the number of health professionals under practice obligations in rural shortage areas and a waiting list for loan repayment, as of February 23, 2007, of 16 health professionals.”

In 2008, the RHAC was successful in obtaining an additional \$250,000 in cash per year for 4 years plus \$500,000 in cash spending authority to address the loan repayment waiting list as of July 1, 2008. These funds are from the Merck settlement with the State of Nebraska. This temporary funding, which will end after FY2010-11, is being used to address the demand for the rural incentive programs (student loans and loan repayment). Without new funding it is anticipated that the demand, specifically for loan repayment, will be greater than the available funding resulting once again in a waiting list.

RHAC members continuing to work with their state senators to educate them about the rural incentive programs and the impact these programs have on rural communities. Without sustainable funding the Commission will not be able to maintain the level of

loan repayment awards thus reducing the number of health professionals under obligation serving our state-designated shortage areas.

- (B) In 2005, the RHAC began researching and working with state and federal representatives to eliminate the income tax burden on state-funded, loan repayment payments to health professionals. In 2004, federal legislation was passed to exempt certain loan repayment programs from federal income tax. According to an IRS letter in 2005, the Nebraska Loan Repayment Program does not meet the requirements for this tax exemption.

Through a survey of all 50 States' Offices of Rural Health, it was learned that at least 17 states were impacted by the income tax on state-funded loan repayment programs. In March 2010, the Patient Protection and Affordable Care Act was passed by Congress and included a provision for tax relief on state-funded loan repayment programs effective after December 31, 2008.

The RHAC continues to monitor the changing rural environment in order to meet its mission. The RHAC's policy recommendations and goals are a work in progress and subject to change each year. The priorities for FY2011-12 will be discussed at the February 2011 Commission meeting. It is the RHAC's priority to provide a voice for the health issues that affect Nebraska's rural communities.

### **RURAL HEALTH ADVISORY COMMISSION MEMBERSHIP**

As of December 2010

<b><u>Name</u></b>	<b><u>Appointment Designation</u></b>
<b>Commission Chairperson:</b> Rebecca A. Schroeder, Ph.D. Curtis, NE	Rural Mental Health Practitioner
<b>Commission Vice-Chairperson:</b> Doug Dilly, M.D. Neligh, NE	Rural Physician
Scot L. Adams, Ph.D., Director Division of Behavioral Health Nebraska Department of Health & Human Services Lincoln, NE	DHHS Representative
Kathy Boswell Allen, NE	Rural Consumer
Martin L. Fattig, C.E.O. Auburn, NE	Rural Hospital Administrator
Zachary Frey, M.D. Lincoln Medical Education Partnership Lincoln, NE	Family Practice Resident
Mark D. Goodman, M.D., Interim Chairman Department of Family Medicine Creighton University Medical Center Omaha, NE	Medical School Representative

Shawn T. Kralik, D.D.S.  
West Point, NE

**Name**

Jackie Miller, Chief Administrator  
Division of Public Health  
Nebraska Department of Health & Human Services  
Lincoln, NE

Peggy Rogers, Administrator  
McCook, NE

Michael A. Sitorius, M.D., Chairman  
Department of Family Practice  
University of Nebraska Medical Center  
Omaha, NE

Sharon Vandegrift, R.N.  
Fairbury, NE

Roger D. Wells, PA-C  
St. Paul, NE

Rural Dentist

**Appointment Designation**

Designee for Director of Division of Public Health  
Nebraska Department of Health & Human Services

Rural Nursing Home Administrator

Medical School Representative

Rural Nurse

Rural Physician Assistant

**TABLE A**

Nebraska Rural Student Loan Program  
 Number of Loans by Type & Outcome by Year Received during 2001-2010  
 [Duplicate Counts (1)]

<u>Year</u>	<u>Total Amount Awarded</u>	<u>Student Loan Awards</u>			<u>As of 2010 In Training(2)</u>	<u>As of 2010 Outcome</u>				
		<u>New</u>	<u>Cont.</u>	<u>Total</u>		<u>In Practice Forgiveness</u>	<u>Completed Practice</u>	<u>Partial Forgive/Buyout</u>	<u>Contract Buyout</u>	<u>Buyout Rate (3)</u>
2001	\$270,000	6	12	18	0	6	2	5	5	28%
2002	\$240,000	5	11	16	0	8	3	3	2	25%
2003	\$255,000	6	11	17	0	9	3	3	2	12%
2004	\$292,000	12	10	22	1	15	1	3	2	9%
2005	\$341,250	10	14	24	3	14	2	2	3	NA
2006	\$341,250	6	16	22	4	11	1	2	4	NA
2007	\$236,250	6	9	15	9	4	0	1	1	NA
2008	\$227,500	7	7	14	12	1	NA	NA	1	NA
2009	\$220,000	6	7	13	13	NA	NA	NA	NA	NA
2010	\$255,000	7	10	17	17	NA	NA	NA	NA	NA

1. Student loan recipients may receive up to four annual loans. This means a recipient will be counted as a new loan one year and then as a continuation loan the next year. Therefore, adding total awards over a period of several years will result in duplication of individuals receiving awards.
2. In training means in school, residency, or provisional license.
3. Buyout Rate is the number of recipients who buyout their contracts without ever practicing a primary care specialty in a shortage area divided by total student awards for each year. Buyout rates are not applicable for 2005-2010 since most recipients are still in training.

Other Notes:

- In 2000, dental students became eligible to apply for the Nebraska Rural Student Loan Program and the maximum award amount as per statute was increased up to \$20,000. In 2004, graduate-level mental health students became eligible for the Nebraska Rural Student Loan Program.
- In 2009, the Rural Health Advisory Commission awarded student loans at the maximum amounts: \$20,000 for doctorate-level and \$10,000 for full-time master's level.

**TABLE B**

Nebraska Loan Repayment Program  
Number of Awards by Status  
1994-2010

<u>Status</u>	<u>Number of Awards</u>
In Practice Under Obligation (FY2010-11)	81
Completed Practice Obligation	256
Default	32
Other	<u>3</u>
<b>TOTAL AWARDS</b>	<b>372</b>

Nebraska Loan Repayment Program  
Number of Awards by Health Profession  
1994-2010

<u>Health Profession</u>	<u>Number</u>	<u>Percentage</u>
Physicians	119	32%
Physician Assistants	99	27%
Mental Health (doctorate and master's level)	35	9%
Advanced Practice Registered Nurse (APRN)	33	9%
Dentists	18	5%
Pharmacists	19	5%
Occupational Therapists	26	7%
Physical Therapists	<u>23</u>	<u>6%</u>
<b>TOTAL</b>	<b>372</b>	<b>100%</b>