

STEVEN M. THOMPSON PHYSICIAN CORPS LOAN REPAYMENT PROGRAM

*Program Evaluation 2006-2009:
Performance Assessment, Fundraising
Efforts and Recommendations*

Prepared by the Health Professions Education Foundation
Submitted pursuant to Health and Safety Code Section 128557



oshpd
Office of Statewide Health
Planning & Development



HEALTH PROFESSIONS
EDUCATION FOUNDATION
Giving Golden Opportunities

**Steven M. Thompson Physician Corps
Loan Repayment Program**

**Program Evaluation 2006-2009: Program Assessment,
Fundraising Efforts and Recommendations**

April 2011

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Executive Summary

This report documents the successes of the Steven M. Thompson Physician Corps Loan Repayment Program (program) from 2006 – 2009 with specific emphasis on operations, fundraising efforts and recommendations for future program improvements. Since 2006, 221 applicants have applied and requested approximately \$18,195,498 in loan repayments. The program has awarded 56 loan repayments totaling \$4,435,837. These physicians are practicing direct patient care in a medically underserved community in 27 of the state's 58 counties. Initially, funding proved to be challenging however, recent legislative initiatives have provided stable sources of revenue for the program.

Issue Statement

Pursuant to Health and Safety Code Section 128557.5, the Health Professions Education Foundation (Foundation) is required to submit a report to the Legislature on the impact of the Steven M. Thompson Physician Corps Loan Repayment Program (STLRP). This report evaluates the program's performance from 2006-2009, evaluates the success of the program's operations and fundraising efforts, and includes recommendations regarding future program improvements.

Background

Need

California faces a looming shortage of health professionals. In fact, the University of California projects the state will face a shortfall of nearly 17,000 doctors by 2015. Generalists provide primary care and serve on the frontline of prevention and wellness, so predicted shortages in this field are especially distressing. These shortages are further exacerbated by disproportionate geographic distribution, a graying workforce, and the lack of providers who are able to serve the cultural and linguistic needs of California's growing population. Physicians continue to be in high demand in dense urban and rural communities and creative solutions will be required to redistribute their ability to meet patient needs.

Loan repayment programs are ideal solutions that meet the growing healthcare needs of Californians. Programs such as the STLRP create a mutually beneficial relationship to both physicians and medically underserved communities. By offering financial assistance to physicians who carry a burden of high debt, physicians are able to provide direct patient care to areas and institutions that might otherwise not have the ability to provide greater financial compensation. This structure creates a mutually beneficial relationship between the physician and the facility, providing high quality health care to patients in areas exacerbated by a shortage of health professionals.

Health Professions Education Foundation

Established in 1987, the Foundation is the state's only non-profit, public benefit corporation statutorily created to provide scholarships, loan repayments and programs to health professions throughout California who agree to practice in medically underserved communities. The Foundation, housed in the Office of Statewide Health Planning and Development (OSHPD), encourages health professions students and practitioners by providing financial incentives and matches their interest with an underserved community plagued by a shortage of health professionals.

Since December 1990, the Foundation has awarded approximately 2,700 scholarship and loan repayment awards totaling almost \$25 million to medical, nursing, and allied health students and recent graduates practicing in 56 of the state's 58 counties. Programs administered by the Foundation include:

- Allied Healthcare Scholarship
- Licensed Vocational Nursing Scholarship
- Licensed Vocational Nursing Loan Repayment
- Licensed Vocational Nursing to Associate Degree Nursing Scholarship
- Associate Degree Nursing Scholarship
- Bachelor of Science Nursing Scholarship
- Bachelor of Science Nursing Loan Repayment
- Licensed Mental Health Services Provider Education Program
- Mental Health Loan Assumption Program
- Health Professions Education Scholarship
- Health Professions Education Loan Repayment
- Steven M. Thompson Physician Corps Loan Repayment

Program Background

The Physician Corps Loan Repayment Program was established in 2002, originally under the administration of the Medical Board of California (Medical Board). In 2004, it was renamed the Steven M. Thompson Physician Corp Loan Repayment Program, but maintained its operation under the existing program regulations. In 2006, the program was transferred to OSHPD and presently remains under the administration of the Foundation. The primary reason for the reassignment is because the Foundation is a 501 (c) (3) public benefit corporation. As a public benefit corporation, the STLRP is able to receive charitable tax donations from individuals, corporations, foundations and others, which contributes to the success of raising funds to support the program.

The STLRP was created to increase the accessibility of healthcare and promote the longevity of physician service in medically underserved areas of California. By providing a financial incentive to repay educational debt, the program aims to retain these physicians in the communities where they serve during their contractual obligation. Through these efforts, the Foundation can continue to work towards its mission to close the gap of healthcare shortages and positively impact healthcare accessibility for individuals and families living in medically underserved areas of California. Physicians can receive up to \$105,000 in exchange for their service in a designated underserved area for a minimum of three years.

The number of awards distributed annually for the STLRP is dependent on the amount of funds available each year. Pursuant to Title 16, Division 13, Chapter 1, Article 3.1 of California's Code of Regulations, priority consideration is given to those best suited to meet the cultural and linguistic needs and demands of patients, based on the applicant meeting one or more of the following criteria:

- speaks a Medi-Cal threshold language;
- comes from an economically disadvantaged background;
- has received significant training in cultural and linguistically appropriate service delivery;
- has three years of experience working in a medically underserved area or with medically underserved populations; and
- has recently obtained a license to practice in any state of the United States or Canada.

The program designates up to 80 percent of the awards for those physicians who have completed a three-year postgraduate residency in one of the four recognized primary care specialties. The remaining 20 percent of the funds may be awarded to applicants from all other specialties. Further, starting in 2009, Assembly Bill 2439 (Chapter 640, Statutes of 2008) allows that up to 15 percent of the funds collected from the mandatory surcharge on licensure renewal fees may be awarded to physicians who agree to practice in geriatric care settings or settings that primarily serve adults over the age of 65 years or adults with disabilities.

All program participants are required to sign a contract with the Foundation to complete a three-year, full-time service obligation in an eligible practice setting regardless of the award amount received. Payments are issued directly to the recipient annually at the completion of each service year.

Objectives

This report documents the program's successes since 2006, when the program was initially transferred from the Medical Board to the Foundation. This will include a specific emphasis on operations, fundraising efforts and recommendations for future program improvements.

Study Methodology

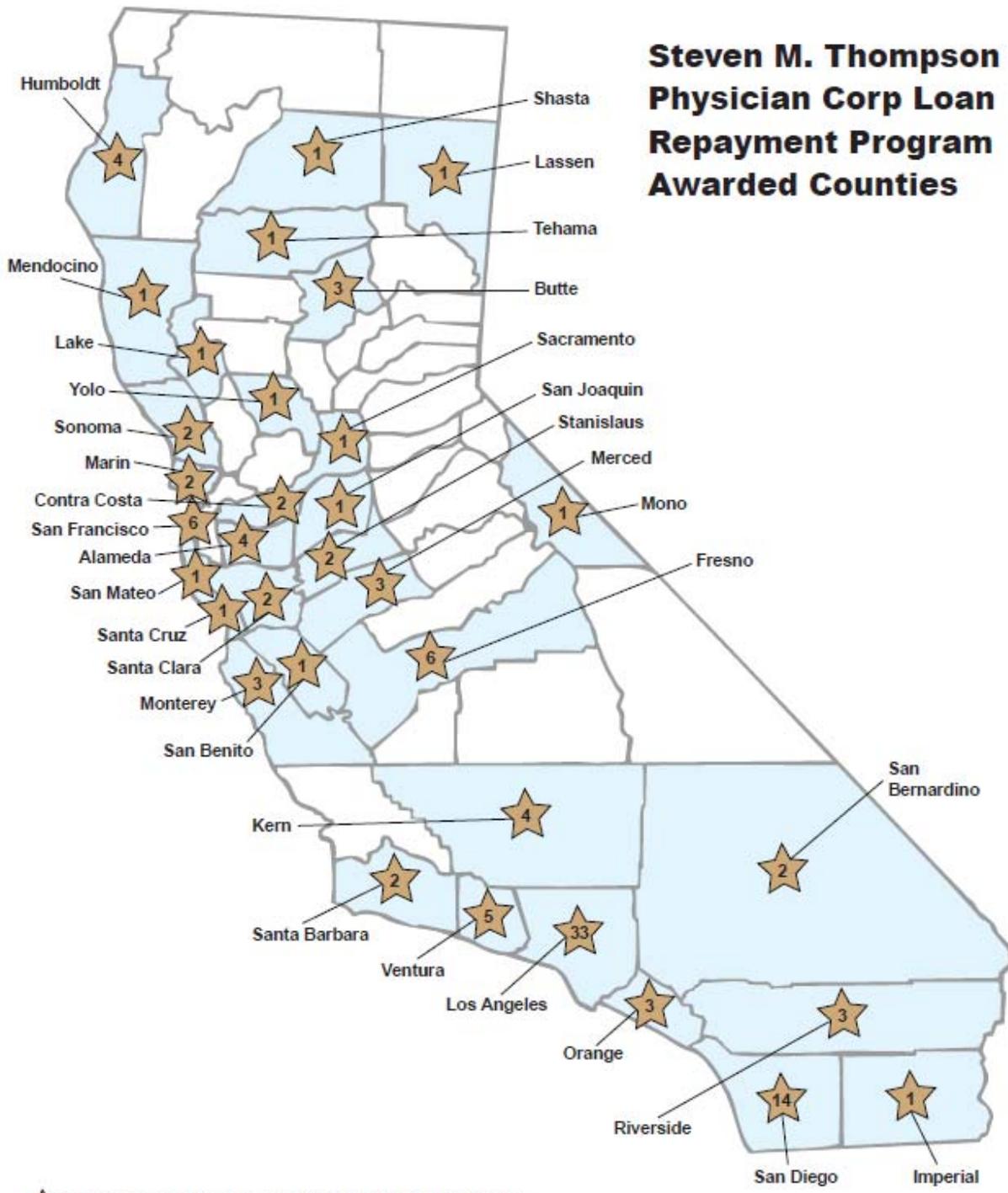
This report used various sources of information to document its findings. This included information from the Foundation's Health Professions Student Monitoring System (HPSAMS), the Office of Statewide Health Planning and Development (OSHPD) budgets office and legislation that may impact the program's objectives. HPSAMS is the Foundation's internal monitoring system used to track demand for the program. This includes collecting information such as applications received and awarded, funds requested and awarded, and other demographic information on applicants and awardees including debt owed, specialties and regions served. OSHPD's Budgets Unit was responsible for the financial monitoring and reporting of the funds collected and disbursed. Finally, the Foundation also tracked legislative initiatives with a potential impact to the program.

Findings

Impact

Since the program's inception, demand for the program has outpaced available funding. In fact, 221 applicants have applied and requested approximately \$18,195,498 in loan repayments since 2006. The program has awarded 56 loan repayments totaling \$4,435,837 and these physicians are working in 27 of the state's 58 counties. The following figure illustrates the practice settings of those 56 physicians.

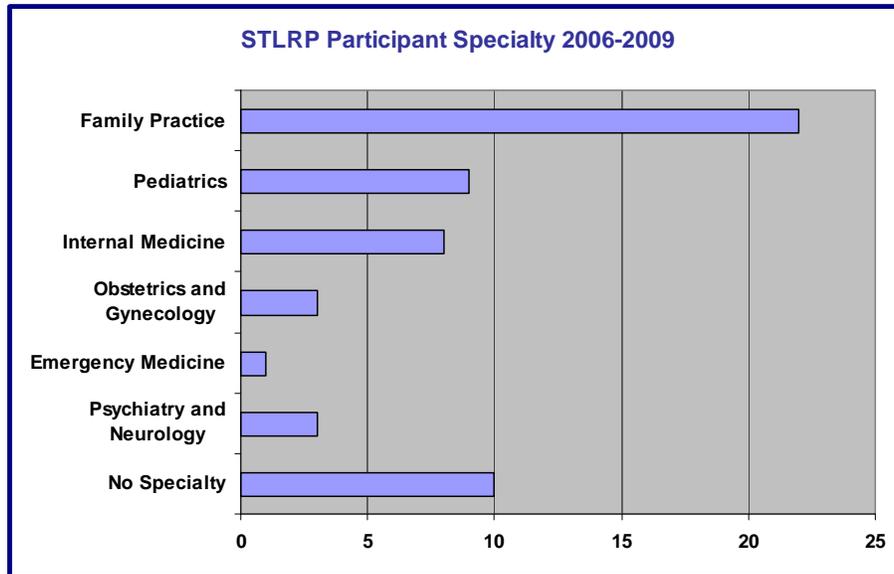
Steven M. Thompson Physician Corp Loan Repayment Program Awarded Counties



Specialties

As previously noted, the STLRP gives priority consideration to physicians who work in one of the four mentioned primary care specialties in California. These include family practice, internal medicine, pediatrics and obstetrics, and gynecology. As of January 01, 2009, priority is also given to physicians who practice in geriatric care settings or settings that primarily serve adults over the age of 65 years or adults with disabilities. The following table illustrates the distribution by specialty for awardee participants since 2006. Please note that some physicians hold more than one specialty.

Table One: STLRP, Awardees by Specialty



The program's annual outcomes vary with respect to the size of the applicant pool, number of participants, amount of money requested, and available funding. However, a consistent trend continues to be that demand outpaces supply. The amount of the loan repayment is consistent with available funding and cannot exceed the total education debt owed by the applicant. Table Three shows general statistics for the program since 2006.

Table Three: STLRP Program Statistics, 2006 – 2009

	2006	2007	2008	2009	Total
Applicants:	63	52	40	66	221
Awarded:	21	14	5	16	56
Declines:	4	2	2	1	9
Amount Requested:	\$5,640,000	\$4,303,516	\$3,484,255	\$4,767,727	\$18,195,498
Amount Awarded:	\$1,686,810	\$989,000	\$250,000	\$1,510,027	\$4,435,837

Monitoring

All recipients are required to work three years in a qualifying facility providing full-time direct patient care. Foundation Program Officers are responsible for monitoring award recipients

every six months to verify their employment within a designated shortage area. Payments are issued annually after awardees satisfy their contractual obligations. At the completion of the participant's three-year service obligation, the Program Officer sends a post-program survey to evaluate the effectiveness of the STLRP. The Foundation currently monitors 34 contracts for award recipients selected in 2007, 2008 and 2009. Seventeen physicians from the 2006 cycles completed their contract obligations and received the full awards available to them.

To date, there is only one awardee who has failed to meet the terms of her contractual obligation. This individual, awarded in the 2004 cycle, satisfactorily completed her first year of her service and received a first installment check in the amount of \$22,800. Soon thereafter, she ended her employment at the eligible practice site and the Medical Board deemed her contract breached. As such, she is required to reimburse the Foundation \$22,800 plus interest. The Medical Board has agreed to collect the funds owed because her contractual agreement is with them. To date, the individual has not repaid her award and this remains the only breach in the STLRP as of this report.

Advisory Committee

Award selection is determined during an annual review of eligible applications by Foundation staff and the program's Advisory Committee. Pursuant to Health and Safety Code Section 128552 (I), the Advisory Committee is comprised of a minimum three-member group, which must include one member appointed by the Medical Board. Since its inception, Barb Johnston and Barbara Yaroslavsky have participated in the Advisory Committee representing the Foundation's Board of Trustees and Medical Board, respectively.

During the March 2009 award cycle, two additional members were added that represented key constituencies. These new members included Elia Gallardo representing the California Primary Care Association and Dustin Corcoran, representing the California Medical Association. The Foundation's Executive Director and Program Officer work together with this Committee to ensure that all applications meet the minimum prescribed requirements and that all program regulations are adhered. Outside of award selection, the Committee may also work with the Foundation to review program operations, review program funding, and provide ongoing recommendations about how to improve program administration.

Program Funding

An analysis of the program's requests reveals that only 25 percent of all physicians who apply to the STLRP are awarded a loan repayment. The remaining 75 percent are not awarded due to many reasons, including limited financial resources, competitiveness of the applicant pool and eligibility. There is a direct correlation between the amount of funds available for the program and the amount and size of awards that can be distributed.

Because the awards for this program are large (up to \$105,000 per person), securing stable source of funding has oftentimes been challenging. During Fiscal Year (FY) 2006/07, the change in program's administration resulted in all the funds previously allocated by the Medical Board being transferred to the Medically Underserved Account for Physicians Account (Account) within OSHPD. In FY 2006/07, \$660,761 was collected in revenues with the majority of funding from private donations (\$315,000), income from the Surplus Money Investment Fund (SMIF) (\$215,731), voluntary physician contributions (\$78,281) and private grants (\$51,749). In FY 2007/08, \$342,924 was collected in revenues with the majority of funding from private grants (\$148,145), SMIF income (\$135,976) and voluntary physician contributions (\$58,803). During FY 2008/09, \$1,492,049 was collected in revenues with the majority of funding from the Managed Care Administrative Fines and Penalties Fund (\$1 million), licensing fees (\$324,246), SMIF income (\$67,567), private grants (\$60,000), and voluntary physician contributions

(\$40,236). Finally, the estimate for FY 2009/10 includes \$3,222,175 in revenues including funding from the Managed Care Administrative Fines and Penalties Fund (\$1 million), licensing fees (\$1,584,450), private grants (\$557,725), and SMIF income (\$80,000). As a result of these ongoing efforts, the STLRP has the ability to support a substantial amount of loan repayment awards annually.

Since 2006, the most significant sources of stable funding have come from private grants and legislative initiatives. The two largest donors have included PacifiCare and The California Wellness Foundation. The following section outlines the legislative initiatives that have greatly impacted the program's financial health.

Legislation Impacting the Program

Recently enacted legislation secured stable funds for the program. Assembly Bill 2439 (De la Torre, Chapter 640, Statutes of 2008) requires that a mandatory \$25 surcharge be assessed at the time of initial licensure or renewal for physicians licensed with the Medical Board. The Medical Board estimates that 63,378 physicians and surgeons renew their license annually, based on their 2006-07 Annual Report. This will generate approximately \$1,584,450 in revenues annually. Senate Bill 1379 (Ducheny, Chapter 607, Statutes of 2008) authorizes a one-time transfer of \$1,000,000 from the Managed Care Administrative Fines and Penalties Fund into the Account and also requires that, beginning September 1, 2009, and annually thereafter, the first \$1,000,000 deposited into the Managed Care Administrative Fines and Penalties Fund be transferred to the Account. The Foundation will utilize this substantial increase in revenue to fund larger loan repayment awards, increase the number of awards, and increase marketing and other outreach efforts.

Further, Senate Bill 606 (Ducheny, Chapter 600, Statutes of 2009) expanded the STLRP to include osteopathic physicians, as well as to assess an additional \$25 licensure fee from osteopathic physicians and surgeons at the time of initial licensure or biennial renewal. These additional fees will raise approximately \$65,000 annually for awards to osteopathic physicians. The bill would also direct the deposit of licensure fees into the Medically Underserved Account for the purpose of the loan repayment program, as well as specifying that the \$25 fee paid by allopathic and osteopathic physicians and surgeons not be used to provide funding for the Physician Volunteer Program. Through the passage of SB 606, osteopathic physicians are now eligible for the STLRP. The Foundation is evaluating how to best implement this legislative initiative, so that this newly eligible profession has adequate representation in the program.

Future Projections

An analysis of available funding since this program was created reveals that fundraising from private sources has been challenging in part, due to the slowed economy making grants and donations scarce. However, FY 2008/09 proved to be extremely successful in terms of fundraising. Not only was the Foundation able to fund \$1,510,027 for 16 individual loan repayment awards, but the program has also established a dependent source of revenue via Assembly Bill 2439 (De la Torre, Chapter 640, Statutes of 2008) and Senate Bill 1379 (Ducheny, Chapter 607, Statutes of 2008). These accomplishments project a promising future for the program and prospective applicants.

Conclusion

From 2006-2009, the STLRP has created opportunities for 56 physicians to provide direct patient care in medically underserved communities throughout California. The program's impact can be measured by the number of physicians who agree to serve in these areas as well as the

amount of funds awarded to these physicians. The Foundation continues to meet its goal of awarding physicians dedicated to serving in medically underserved areas by seeking and securing diversified funding to support the program. The Foundation’s Board of Trustees highly values this program and the Foundation is confident that the administration of the program will remain impactful in years to come.

Recommendations

This evaluation has raised issues that may strengthen the program’s outcomes. These include transferring the regulations to the Foundation and continuing to seek private sources of revenue.

Transfer of Regulations

When the program was transferred from the Medical Board to the Foundation, the existing regulations were also adopted and thus, the regulations continue to be housed under the auspices of the Medical Board. Recently, the Foundation has begun the lengthy process of transferring the program regulations from Title 16, Division 13, Chapter 1, Article 3.1 to Title 22, Chapter 14. By transferring the regulations to the Foundation, it will also provide the Foundation an opportunity to hear from key stakeholders and identify areas of improvement.

Securing Private Sources of Revenue

The Foundation is responsible for securing stable and diversified sources of revenue in order to meet its mission of providing scholarships, loan repayments and programs to health professionals in exchange for practicing direct patient care in medically underserved communities. Thus, on an annual basis the Foundation seeks varied funding sources for the 12 programs it administers. The STLRP remains a Foundation priority and the Foundation will continue to seek private and corporate grants to maintain a stable funding level.

Implementation Plan

Transfer of Regulations

The transfer of regulations will appropriately place the guidelines for this program under the department which administers its operations. The following outline describes key activities involved with transfer the regulations to the Foundation as well a potential substantive changes to the program. Although the process for developing and promulgating regulations is very detailed and rigorous, those steps are principally included under “engage the state rulemaking calendar.” The estimated timeline for this process to be completed is Spring 2011.

Activity	Date
Hold one meeting with the Advisory Committee to review the existing program regulations and discuss potential changes	April 2010
Secure feedback from additional stakeholders	May 2010
Obtain approval from OSHPD and the Health and Human Services Agency regarding proposed changes to the regulations	July 2010
Engage the state rulemaking process (forms submittal, notice, mailing hearing, etc.)	September 2010
Respond to public comments	January 2011
Re-draft regulations based on public comments	February 2011
Implement new regulations	April 2011

Securing Private Sources of Revenue

The following outlines the strategy to secure private and corporate grants to maintain a stable funding level for the program.

Activity	Date
Develop annual fundraising plan	December 2009
Research private grants	Monthly
Research funding opportunities with existing funders	Continuously

Program/Fiscal Impact

Program and fiscal impact regarding the transfer of the regulations and potential substantive changes to the program may only be determined after receiving public feedback and performing an analysis of the feedback.

There is no programmatic impact associated with securing private and corporate sources of revenue. The fiscal impact on the other hand is simply an increase in revenues for the program.

Appendix One: STLRP Legislative History

Legislation	Description
Assembly Bill 982 (Firebaugh) Chapter 1131, Statutes of 2002	The bill established the California Physician Corps Loan Repayment Program within the Medical Board of California. The program encourages recently licensed physicians to practice in underserved locations in California by awarding loan repayments of up to \$105,000. AB 982 also authorized the Medical Board to allocate \$3 million from its Contingent Fund to implement the program and support physician loan repayments.
Assembly Bill 1403 (Nunez) Chapter 367, Statutes of 2004	The bill renamed the program the Steven M. Thompson Physician Corps Loan Repayment Program effective January 1, 2005.
Assembly Bill 327 (De la Torre) Chapter 293, Statutes of 2005	The bill established a \$50 voluntary donation from physicians and surgeons at the time of initial licensure or biennial renewal to support the Steven M. Thompson Physician Corps Loan Repayment Program.
Assembly Bill 920 (Aghazarian) Chapter 317, Statutes of 2005	The bill transferred the administration of the Steven M. Thompson Physician Corps Loan Repayment Program from the Medical Board of California to the Health Professions Education Foundation.
Assembly Bill 2439 (De la Torre) Chapter 640, Statutes of 2008	The bill required the Medical Board of California to collect a mandatory \$25 fee from physicians and surgeons at the time of initial licensure or biennial renewal to support the Steven M. Thompson Physician Corps Loan Repayment Program. It also provides that up to 15 percent of the funds collected from the additional \$25 fee to be dedicated to loan assistance for physicians who agree to practice in geriatric care settings or settings that primarily serve adults over the age of 65 years or adults with disabilities.
Senate Bill 1379 (Ducheny) Chapter 607, Statutes of 2008	The bill required that, beginning September 1, 2009, and annually thereafter, the first \$1,000,000 deposited into the Managed Care Administrative Fines and Penalties Fund be transferred to the Medically Underserved Account for Physicians (Account) to be used for loan repayment awards under the Steven M. Thompson Physician Corps Loan Repayment Program. The bill also required an immediate one-time transfer of \$1,000,000 from the Managed Care Administrative Fines and Penalties Fund to the Account.
Senate Bill 606 (Ducheny) Chapter 600, Statutes of 2009	This bill would (1) expand the Steven M. Thompson Physician Corps Loan Repayment (STLRP) to include osteopathic physicians; (2) require the Osteopathic Medical Board of California to assess an additional \$25 licensure fee from osteopathic physicians and surgeons at the time of initial licensure or biennial renewal; (3) direct the deposit of licensure fees into the Medically Underserved Account for Physicians for the purpose of the loan repayment program; and (4) specify that the \$25 fee paid by allopathic and osteopathic physicians and surgeons not be used to provide funding for the Physician Volunteer Program.

Contact Information

Inquiries related to this report or the Steven M. Thompson Physician Corps Loan Repayment Program can be directed to the Health Professions Education Foundation.

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