

STEVEN M. THOMPSON  
PHYSICIAN CORPS  
LOAN REPAYMENT PROGRAM

REPORT TO THE LEGISLATURE

2008

PREPARED BY THE  
HEALTH PROFESSIONS EDUCATION FOUNDATION

**Report to the Legislature 2009**  
**Steven M. Thompson Physician Corps**  
**Loan Repayment Program**

**March 2010**

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**State of California**

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## **Executive Summary**

The Health Professions Education Foundation (Foundation) is required to submit an annual report to the California State Legislature documenting the performance of the Steven M. Thompson Physician Loan Repayment Program (program). In 2008, 40 applicants requested approximately \$3,484,255 in loan repayments. Five applicants were awarded \$250,000 in loan repayments. Two legislative initiatives signed into law in 2008 will significantly stabilize sources of revenue for this program. The Foundation continues to expect a high demand for this program and will continue to raise additional sources of revenue to meet its program objectives.

## **Issue Statement**

Health and Safety Code Section 128557 (a) requires the Foundation to submit an annual report to the Legislature for the Steven M. Thompson Physician Corps Loan Repayment Program (STLRP), documenting the following five requirements: number of program participants, name and location of practice settings, amount of funds expended, information from annual performance reviews, and an update on the status and statistics for the Physician Volunteer Program. To date, the Physician Volunteer Program has not been implemented therefore there are no statistics available for this program. This report is being submitted as required by statute.

## **Background**

The STLRP was created in 2003 to increase the accessibility of healthcare and promote the longevity of primary care physicians in medically underserved areas of California. Physicians can receive up to \$105,000 in exchange for providing direct patient care in a medically underserved area for a minimum of three years.

The application deadline for the STLRP is scheduled annually in the spring. Pursuant to Health and Safety Code 128553 section (c)(5)(d)(2), "the selection committee may fill up to 20 percent of the available positions with program applicants from specialties outside of the primary care specialties." Thus, 80 percent of available funds will be allocated for applicants who have completed a three-year postgraduate residency in the areas of family practice, internal medicine, pediatrics or obstetrics and gynecology. Further, pursuant to the California Code of Regulations, Title 16, Division 13, Chapter 1, Article 3.1, Section 1313.02 (b), "priority consideration is given to the applicants best suited to meet the cultural and linguistic needs of patients." The applicant is evaluated according to the following criteria:

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

## Objectives

This report will provide in detail the performance of the program in 2008. This will include documenting the number of program participants, name and location of practice settings, amount of funds expended, information from annual performance reviews. As stated earlier, this report will not present information on the Physician Volunteer Program as this program has not been implemented to date.

## 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.

In 2008, two legislative initiatives that significantly impact the program were signed into law. The following information summarizes the intent of the bills. (Appendix B provides a complete timeline of the legislation pertaining to the program):

- AB 2439 (De la Torre, Chapter 640, Statutes of 2008) requires the Medical Board of California (Medical Board) to collect a mandatory \$25 fee from physicians and surgeons at the time of initial licensure or biennial renewal to support the STLRP. It also allowed that up to 15 percent of the funds collected from the additional \$25 fee 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.
- SB 1379 (Ducheny, Chapter 607, Statutes of 2008) requires that beginning September 1, 2009, and annually thereafter, the first \$1,000,000 deposited into the Department of Managed Health Care's 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 STLRP. The bill also requires an immediate one-time transfer of \$1,000,000 from the Managed Care Administrative Fine and Penalties Fund to the Account.

Although these legislative initiatives did not impact the March 2008 application cycle, they are important to note as they created a stable funding source for ongoing future cycles.

## Findings

Based on the number of applicants and the amount of funds available each year, the process of selecting recipients continues to be competitive. To date, the STLRP has

awarded more than \$8.6 million dollars to over 100 individuals. Table One shows a summary of the applicants to the program since its inception.

**Table One: Summary of Applicants, 2003-2008**

	2003	2004	2005	2006	2007	2008	Total
<b>Applicants:</b>	96	77	57	63	52	40	385
<b>Awarded:</b>	29	16	19	21	12	5	102
<b>Declines:</b>	1	0	3	4	0	2	10
<b>Amount Requested:</b>	\$8,157,000	\$6,154,000	\$4,069,000	\$5,640,000	\$4,303,516	\$3,484,255	\$31,807,771
<b>Amount Awarded:</b>	\$2,691,764	\$1,310,178	\$1,700,493	\$1,686,810	\$989,000	\$250,000	\$8,628,245

**Program Funding**

Until recently, securing stable sources of revenue have proven challenging in part, due to the slowed economy making grants and donations scarce. The Foundation has maintained efforts to find substantial contributions to support this program. The breakdown of revenues and expenditures for Fiscal Year 2008-09 are noted in Table Two.

**Table 2: STLRP FY 2008-09 Revenue and Expenditures**

Sources of Revenue		Expenditures	
Surplus Money Investments	\$67,567.00	Support costs	\$7,018.00
Private Donations & Physician Contributions <sup>1</sup>	\$40,236.00	2008 Loan Repayment Awards	\$150,000.00
PacifiCare Grant <sup>2</sup>	\$557,725.00	<b>Total Expenses</b>	<b>\$157,018.00</b>
Wellness Grant <sup>3</sup>	\$72,000.00		
Dept. of Managed Health Care <sup>4</sup>	\$1,000,000.00	<b>Account Balance (as of 6/30/2009)</b>	<b>\$1,564,501.00</b>
Mandatory License Fees <sup>5</sup>	\$324,246.00		
<b>Total Revenue</b>	<b>\$2,061,774.00</b>		

Expenditures may not match total revenue as award amounts are determined by the amount of funding available in the Medically Underserved Account for Physicians prior to the STLRP Advisory Committee meeting rather than the total amount of revenues at the end of the fiscal year. As such, revenues that are deposited into the Account after the date that the Advisory Committee meets will not be available until the following award cycle. As noted in Table 2, \$2,061,774.00 was available during FY 2008-09, however \$1,629,725.00 of these funds

<sup>1</sup> Prior to 1/01/2009, STLRP was funded through voluntary donations. This line item reflects funding collected on a continuous basis before and after the enactment of AB 2439.

<sup>2</sup> Funding received after the March 2008 cycle. The funds will be expended during March 2009, FY 2009-10.

<sup>3</sup> Ibid.

<sup>4</sup> While collected in FY 2008-09, the funding from the Managed Care Administrative Fines and Penalties Fund was not available for the STLRP March 2008 cycle. The funds will be directed to the STLRP March 2009 cycle.

<sup>5</sup> The funding was not fully available during the March 2008 cycle, as the funding is received on a continuous basis. The mandatory fee became effective 1/01/2009, therefore a significant amount of revenue was unavailable for FY 2008-09.

became available after the Advisory Committee meeting on May 09, 2008. As such, this funding was not available for the March 2008 cycle, thus rolling over to the March 2009 cycle. As a result, funding available for the March 2008 cycle was \$250,000.00; two of the five awardees declined, resulting in loan repayment awards totaling \$150,000.00.

Governor Arnold Schwarzenegger and the California State Legislature have recognized the contributions made by the STLRP and supported legislation to permanently fund the STLRP. As described in the *Legislative History* section above, AB 2439 and SB 1379 were passed in September 2008. These two bills will result in a minimum annual revenue of \$2.5 million and will ensure that the STLRP has stable resources to continue providing financial support for qualified physicians willing to practice in the state's underserved areas.

### **Monitoring**

The Foundation currently monitors 32 contracts for award recipients selected in 2006, 2007 and 2008. In addition, there are 60 contracts that have been finalized and closed as those recipients have completed their service obligation. All recipients are required to work three years in a medically underserved area providing full-time direct patient care. Program Officers are responsible for monitoring award recipients every six months to verify their employment with a designated shortage area, and payments are issued annually. At the completion of the participant's three-year service obligation, Foundation staff sends a post-program survey to evaluate the effectiveness of the STLRP.

### **Breaches**

A breach is defined as the failure by one party to carry out any condition of the contract. The 2003, 2004 and 2005 award recipients have completed their contract obligations and received the money due to them. One individual from the 2004 cycle received a first installment check in the amount of \$22,800 following the first year of her service obligation and then ended her employment at the eligible practice site. The Medical Board determined that this was a breached contract because she did not maintain employment in a qualified facility and is required to reimburse the Foundation \$22,800 plus interest. The Medical Board has agreed to collect the money owed because her contractual agreement is with them. To date, the individual has not repaid her award. This remains the only breach in the STLRP as of this report.

For the March 2008 cycle, the Foundation received a total of 40 applications for the STLRP, representing a cumulative request of \$3,484,255 to repay educational debt. The Advisory Committee was charged with identifying awardees and awarding them a total of \$250,000 in loan repayments. Of the 40 applications received, the Advisory Committee selected five qualifying physicians and awarded them each a \$50,000 loan repayment. The chosen awardees came from various medical specialties and facilities located throughout California. Two individuals declined the award citing the award's low amount. The funds dispersed for the STLRP totaled \$150,000 after the declines were accounted for. The figure below shows the practice settings for all award recipients, sorted by specialty. (Please note that some recipients hold more than one specialty).

**Figure 1: STLRP Physician Practice Settings**

**Family Practice:**

Family practice physicians treat individuals and families, regardless of age or sex, for a variety of illnesses and help to maintain general healthcare.

Contra Costa Health Services (Antioch) – awarded \$50,000

Santa Ana Hospital Clinic (Santa Paula) – awarded \$50,000, but physician declined

**Internal Medicine:**

Internal medicine physicians diagnose and treat the general medical problems of adult patients, as well as disorders of the internal organs.

Family Health Centers of San Diego (El Cajon) – awarded \$25,000

**Pediatrics:**

Pediatric physicians assess and treat the physical, emotional and social health of children from birth to young adulthood.

Family Health Centers of San Diego (El Cajon) – awarded \$25,000

Shasta Community Health Center (Redding) – awarded \$50,000, but physician declined

**No Specialty:**

These physicians have not yet selected a specialty that they will pursue.

Community Clinic (North Hills) – awarded \$50,000

**Specialties**

Pursuant to Health and Safety Code 128553 section (c)(5)(d)(2), “the selection committee may fill up to 20 percent of the available positions with program applicants from specialties outside of the primary care specialties.” Therefore, 80 percent of STLRP participants are primary care providers, and include the following specialties: family practice, internal medicine, pediatrics, and/or obstetrics and gynecology. According to the 2007-08 Annual Report published by the Medical Board, these specialties are also consistently the most impacted and account for 48% percent of all certified specialists. The breakdown of postgraduate training for the 2008 award recipients is as follows<sup>6</sup>:

- Family Practice - 33%
- Internal Medicine - 17%
- Pediatrics - 33%

<sup>6</sup> Some physicians hold more than one specialty.

OB/GYN - 0%  
No specialty - 17%

The March 2008 application was not modified to include the additional specialty of geriatrics, as AB 2439 became effective January 01, 2009, after the March 24, 2008 cycle deadline. The upcoming 2010 application for this program will be modified so that the Foundation can accurately determine and award physicians working in geriatric care settings.

### ***Foreign Languages***

The STLRP requires the Advisory Committee to consider an applicant's ability to meet the cultural and linguistic needs of a diverse patient population. Linguistic competency can help physicians break down language and cultural barriers commonly present when providing care to patients of diverse backgrounds. All five of the 2008 award recipients speak Spanish.

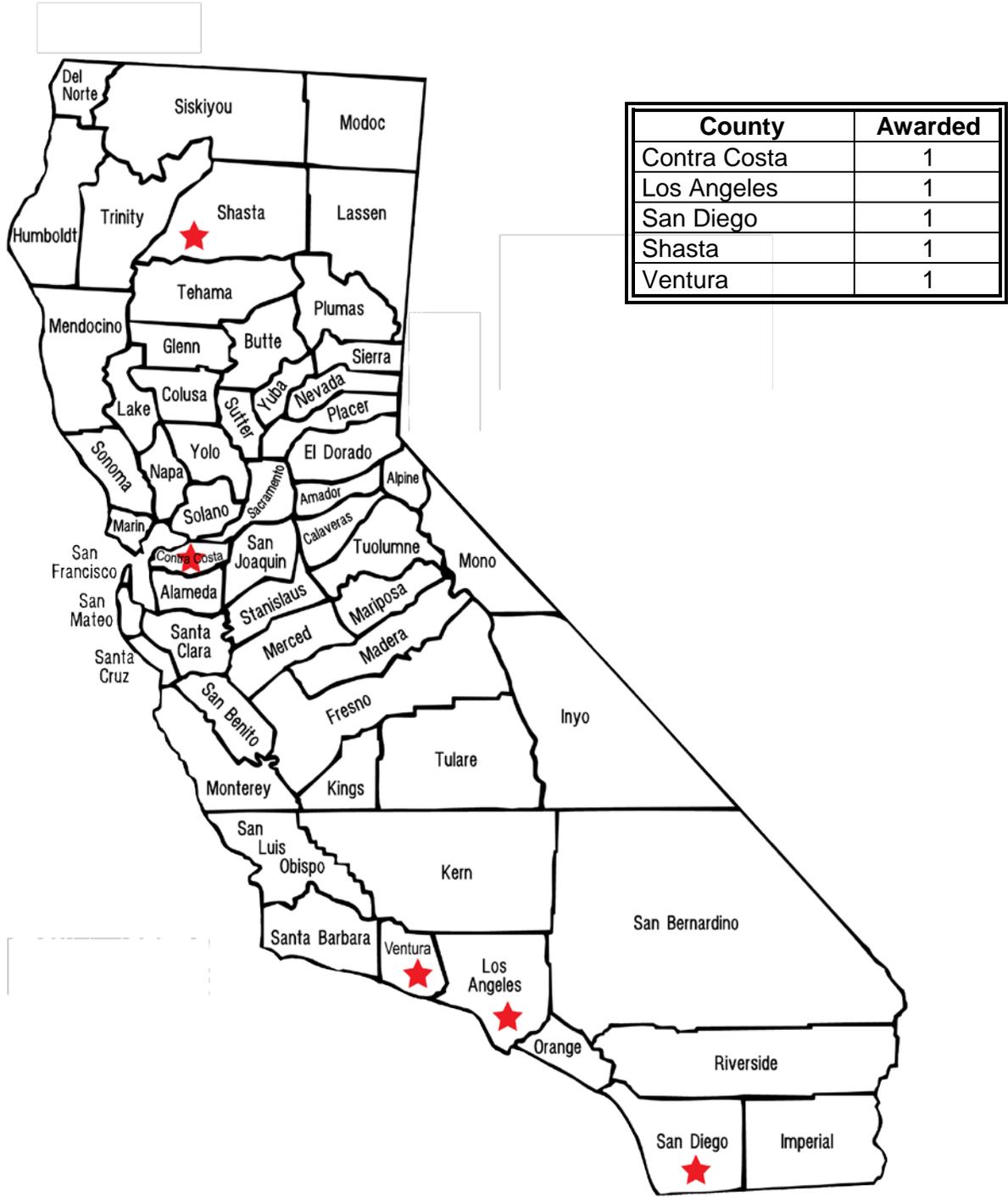
### ***Geographic Distribution***

The STLRP Advisory Committee chooses the most qualified applicants who are working in the areas of California with the greatest need as well as ensure a geographic distribution of awards. The map on Appendix A displays all 2008 award recipients and counties in which they are employed.

## **Conclusion**

The STLRP provides a significant incentive for physicians dedicated to serving in medically underserved areas. Since its inception, the STLRP has awarded more than \$8.5 million to 102 awardees. Given the newly permanent funding streams, the Foundation will now have the ability to grant larger average awards to more physicians. Due to new statute, the STLRP will also add geriatric services as a preferred specialty, thus creating the opportunity for a new caliber of physicians. The Foundation continues to award physicians who can best meet the needs of the medically underserved and is confident these physicians will help improve medical outcomes in these communities.

## Appendix A: California County Distribution 2008 Award Recipients



## Appendix B: History of Program Legislation

Legislation	Description
AB 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 to support physician loan repayments.
AB 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.
AB 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.
AB 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.
AB 2439 (De la Torre) Chapter 640, Statutes of 2008	The bill established 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. The bill also required that up to 15 percent of the funds collected from the \$25 fee to be used for loan repayment 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.
SB 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 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 Fine and Penalties Fund to the Account.

## Contact Information

Inquiries related to this report or the  
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