

# HOUSE BILL REPORT

## HB 2143

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**As Reported by House Committee On:**  
Higher Education

**Title:** An act relating to expanding opportunities for higher education students.

**Brief Description:** Expanding opportunities for higher education students.

**Sponsors:** Representatives Haler, Hansen, Holy, Stanford and Muri.

**Brief History:**

**Committee Activity:**

Higher Education: 3/14/17, 3/29/17 [DPS].

**Brief Summary of Substitute Bill**

- Creates the Medical Student Loan Program to provide low-interest loans to students in Doctor of Medicine or Doctor of Osteopathic Medicine programs who declare an intention to work in a rural and underserved area in Washington.
- Expands the Washington State Opportunity Scholarship to students in eligible advanced degree programs who commit to a required service obligation in a service obligation area.

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### HOUSE COMMITTEE ON HIGHER EDUCATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Hansen, Chair; Pollet, Vice Chair; Haler, Orwall, Sells and Tarleton.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Holy, Ranking Minority Member; Van Werven, Assistant Ranking Minority Member; Stambaugh.

**Staff:** Megan Mulvihill (786-7304).

**Background:**

State Student Loan Programs.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The state has authority to provide student loans. The Student Achievement Council administers the Aerospace Training Student Loan Program, which provides student loans to students enrolled in a program in the aerospace industry offered by the Washington Aerospace Training and Research Center, the Spokane Aerospace Technology Center, Renton Technical College, or Everett Community College. In addition, the Washington Higher Education Loan Program exists in statute to provide low-interest student loans, but has never been funded.

Washington State Opportunity Scholarship.

The Washington State Opportunity Scholarship (WSOS) program was established in 2011 to provide scholarships to low- and middle-income resident students pursuing eligible high-demand majors in science, technology, engineering, mathematics, and health care, and to encourage scholarship recipients to work in the state upon completion of their degrees. The eligible student needs to be working towards a first bachelor's degree at an eligible Washington state college or university. The student may attend a public community or technical college if the student indicates plans to transfer to a four-year college or university by the time he or she has earned 90 quarter credits. For the 2016-17 academic year, 1,372 students were awarded a scholarship under Cohort 5, of which 32 percent are in health profession related programs.

The WSOS program is overseen by the WSOS Board and administered by the program administrator. The program administrator has the duty of publicizing the program, selecting scholarship recipients, distributing awards, and managing account investments. The WSOS program has two separate accounts to hold grants and contributions from private sources and state matching funds, and to disburse scholarship funds to participants. The accounts are the Scholarship Account and the Endowment Account.

Health Professionals Conditional Scholarship and Loan Repayment Program.

The Health Professionals Conditional Scholarship and Loan Repayment Program (HPCSLR Program) provides licensed primary care health professionals with either a conditional scholarship or assistance in repaying their student loans if the professional agrees to provide primary health care in rural or underserved urban areas with designated shortages. The conditional scholarship portion of the HPCSLR Program is not currently funded, but the loan repayment provides up to \$75,000 for a minimum three-year service obligation. The participant needs to work a minimum of a 24-hour work week, and if the participant defaults on their service obligation, the penalty is double the funds disbursed to the participant, plus interest.

Eligible health professionals for 2017 include Doctors of Medicine, Doctors of Osteopathic Medicine, Naturopathic Doctors, Doctors of Dental Surgery, Doctors of Medicine in Dentistry, Registered Dental Hygienists, Nurse Practitioners, Registered Nurses, Licensed Practical Nurses, Mental Health Nurses, Psychiatric Advance Practice Clinicians, Certified Nurse Midwives, Licensed Midwives, and Pharmacists. Also included are Clinical Psychologists, Licensed Independent Clinical Social Workers, Marriage and Family Therapists, and Mental Health Counselors if the professional has a master's or doctoral degree.

## **Summary of Substitute Bill:**

### The Medical Student Loan Program.

The Medical Student Loan Program (MSL Program) is established to increase the physician workforce in rural and underserved areas. The MSL Program's medical student loans must be funded exclusively with private funding, and state funding may be used for the MSL Program's administrative costs.

For a student to be eligible for a loan under the MSL Program, he or she must be a resident student enrolled in an accredited Doctor of Medicine or Doctor of Osteopathic Medicine program in the state and declare an intention to work in a rural and underserved area in Washington following residency. Rural and underserved area is defined as "an area where credentialed health care professionals are in short supply as a result of geographic maldistribution or as the result of a short supply of credentialed health care professionals, and where vacancies exist in serious numbers that jeopardize patient care and pose a threat to the public health and safety," as determined by the Student Achievement Council's Office of Student Financial Assistance (Office). The Office is the administrator and must design and implement the MSL Program with the following elements:

- a low-interest rate;
- an annual loan limit not to exceed \$40,000 and no more than the participant's estimated cost of attendance;
- loan repayments that do not begin until:
  - six months after the participant completes his or her medical residency program; or
  - six months after a participant leaves his or her Doctor of Medicine, Doctor of Osteopathic Medicine, or medical residency program; and
- an interest rate of at least 12 percent plus capitalized interest that was deferred during the participant's medical school and residency program if the participant does not work as a physician in a rural and underserved area in Washington for three years following completion of his or her residency program.

The Office must establish an application, selection, and notification process; define the terms of repayment; collect and manage repayments; solicit and accept grants and donations from non-state public and private sources for the MSL Program; publicize the MSL Program; and adopt any necessary rules. The Office may also exercise discretion to revise repayment obligations in certain cases, such as economic hardship or disability. The office is required to submit an annual report on the MSL Program to the Governor and Legislature that is due by December 1 of each year after July 1, 2020. The report must describe the design and implementation of the MSL Program and include data on:

- the number of applicants;
- the number of participants;
- the number of participants that complete their medical program;
- the number of participants who are placed in employment and the nature of that employment;
- whether the participant is working in a rural and underserved area, and what percentage of the participant's patients are served by Medicaid or similar programs;
- demographic profiles of applicants and participants;
- the amount of private funding received; and

- an estimate of when the MSL Program will be self-sustaining.

The Medical Student Loan Account is created in the custody of the State Treasurer for the MSL Program.

Washington State Opportunity Scholarship.

The WSOS is expanded to include scholarships for students attending eligible advanced degrees programs, which are defined as health professional degree programs beyond the baccalaureate level and include graduate and professional degree programs. To be eligible for the scholarship, the student needs to be accepted at an institution of higher education into an eligible advanced degree program and agree to a service obligation established by the WSOS Board. The service obligation requires the participant to be employed in a service obligation area in the state following completion of their eligible advanced degree program. Service obligation area means a location that meets one of the following conditions:

- has been designated by the Student Achievement Council as an eligible site under the HPCSLR Program;
- serves at least 40 percent uninsured or Medicaid enrolled patients;
- is located in a rural county and serves a combination of uninsured, Medicaid enrolled patients, and Medicare enrolled patients, equal to at least 40 percent of the practice location's total patients; or
- serves a public agency, nonprofit organization, or local health jurisdiction by providing public health services necessary to preserve, protect, and promote the health of the state's population, as determined by the WSOS Board after consultation with the Department of Health.

The WSOS Board must determine which advanced degree programs qualify as eligible advanced degree programs and must consider programs that lead to credentials in health professions that include primary care, dental care, behavioral health, and public health. The WSOS Board must also determine the scholarship amount.

The WSOS Board must report to the Governor and Legislature by December 1 of each biennium, beginning December 1, 2019. The report must include information on the eligible advanced degree programs and service obligation areas, and the number of participants in each phase of the scholarship. The WSOS Board may also report to the Governor and Legislature on a recommendation to include a loan repayment, low-interest, or no-interest loan component for the advanced degree portion of the WSOS.

The WSOS Program Administrator must establish a process for verifying a participant's employment in a service obligation area. The WSOS Program Administrator must also establish a repayment obligation and appeals process for participant's who complete less than the required service obligation. The WSOS Program Administrator is responsible for collecting repayment obligations and may allow participants to enter into payment arrangements.

A third account is created for the WSOS called the Student Support Pathways Account, in which scholarships are to be disbursed for eligible advanced degree programs. The two existing accounts, the Scholarship Account and the Endowment Account, are specifically for scholarships for baccalaureate programs.

A provision regarding when the state has demonstrated progress towards per student funding levels of at least the sixtieth percentile of total per student funding at similar public institutions of higher education in Global Challenge States is repealed.

**Substitute Bill Compared to Original Bill:**

The Medical Student Loan Program.

The MSL Program was limited to private funding for the purpose of issuing medical student loans, although state funding may be used for administrative costs. The definition of "rural" was changed to "rural and underserved" and defined "as an area where credentialed health care professionals are in short supply as a result of geographic maldistribution or as the result of a short supply of credentialed health care professionals, and where vacancies exist in serious numbers that jeopardize patient care and pose a threat to the public health and safety, as determined by the Office." Technical corrections were made to the account provision, and additional data points were added to the reporting requirement to include the percentage of the participant's patients served by Medicaid and similar programs, and the amount of private funding received for the MSL Program.

Washington State Opportunity Scholarship.

A number of definitions were modified. "Advanced degree" was changed to "eligible advanced degree program," the definition of "service obligation" was changed to remove the phrase "health professional shortage area" which was replaced with "service obligation area," and the definition of "health professional shortage area" was removed and replaced with "service obligation area." Changes to the definition of "program administrator" were also removed. In addition, a reporting requirement was added, and the WSOS Board must consider advanced degree programs that include primary care, dental care, behavioral health, and public health. The WSOS Program Administrator is required to establish a process for verifying a participant's employment in a service obligation area and to establish a repayment obligation and appeals process if a participant fails to complete their entire service obligation.

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**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on March 29, 2017.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) The state has a shortage of doctors, with 19 counties in Washington with severe shortages. Patients who do not have access to doctors nearby suffer and may delay seeking health care. Rural areas are in great need of doctors. A loan program is a great way to help support doctors to go to school. These types of programs have been shown to incentivize students to become doctors and practice in shortage areas. In a national survey of medical students it was asked what percentage of students might train in a rural setting following

school and residency. Three percent reported back that they planned to practice in a rural area.

There are fewer medical students with a mountain of debt who believe they can practice in rural areas. These students have great exposure to rural practice, but they are hesitant about the financial implications of practicing in a rural area. The average medical student has around \$200,000 of medical student loan debt, so it makes sense to find a higher paying job in an urban area. The National Health Service Corps Loan Repayment Program does not accept enough students, and it does not require rural service.

Rural physicians have a larger scope of practice since specialties are not nearby. The problem of rural health care delivery is so challenging that it needs a lot of tools in the tool box. The creation of a new medical school, expanding residencies, and the financial support for the HPCSLR Program are all needed. However, the difference with a loan program is that the student makes a commitment to work in a rural area at the beginning of the process, which may change his or her training pathway through medical school. This bill brings three things to the table: (1) it is available to all the medical schools in the state; (2) the program is self-sustaining because it is a loan with an expected reinvestment from repayments; and (3) it is a loan with 0 percent interest during training and residency. The state knows that assistance makes a difference and where a student trains influences their decision about where to practice. The deferred interest rate and the low-interest rate are important incentives.

The bill provides the WSOS with the flexibility to address health professional shortages and provides another avenue to support students. By 2030, Washington will need an additional 12,000 nurses. Registered nurses rank second on the top 10 open career occupations. For nurse practitioners who have advanced degrees this would afford them another opportunity to work in the state.

(Opposed) None.

(Other) There are many different ways to solve the recruitment of physicians to rural and underserved areas. One example is the HPCSLR Program, which should be referenced in the bill along with the Department of Health. There are also a few other amendment recommendations for the committee to consider.

**Persons Testifying:** (In support) Representative Haler, prime sponsor; Daniel Low, Brianne Rowan, Alex Ajeto, Martin Box, Kim Bauer, and Benji Perin, University of Washington School of Medicine; Katie Kolan, Washington State Medical Association; Chris Mulick, Washington State University; Naria Santa Lucia, Washington State Opportunity Scholarship; and Melissa Johnson, Washington State Nurses Association.

(Other) Kate White Tudor, Washington Association of Community and Migrant Health Centers.

**Persons Signed In To Testify But Not Testifying:** None.