

103^D CONGRESS
1ST SESSION

S. 241

To provide incentives to health care providers serving rural areas, to provide grants to county health departments providing preventative health services within rural areas, to establish State health service corps demonstration projects, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 27 (legislative day, JANUARY 5), 1993

Mr. PRYOR (for himself, Mr. PACKWOOD, Mr. BOREN, Mr. COHEN, Mr. GLENN, Mr. BRYAN, Mr. CONRAD, and Mr. LEAHY) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide incentives to health care providers serving rural areas, to provide grants to county health departments providing preventative health services within rural areas, to establish State health service corps demonstration projects, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Rural Primary Care
5 Act of 1993”.

1 **TITLE I—TAX PROVISIONS**

2 **SEC. 101. NONREFUNDABLE CREDIT FOR CERTAIN PRI-**
3 **MARY HEALTH SERVICES PROVIDERS.**

4 (a) IN GENERAL.—Subpart A of part IV of sub-
5 chapter A of chapter 1 of the Internal Revenue Code of
6 1986 (relating to nonrefundable personal credits) is
7 amended by inserting after section 25 the following new
8 section:

9 **“SEC. 25A. PRIMARY HEALTH SERVICES PROVIDERS.**

10 “(a) ALLOWANCE OF CREDIT.—In the case of a
11 qualified primary health services provider, there is allowed
12 as a credit against the tax imposed by this chapter for
13 any taxable year in a mandatory service period an amount
14 equal to the product of—

15 “(1) the lesser of—

16 “(A) the number of months of such period
17 occurring in such taxable year, or

18 “(B) 36 months, reduced by the number of
19 months taken into account under this para-
20 graph with respect to such provider for all pre-
21 ceding taxable years (whether or not in the
22 same mandatory service period), multiplied by

23 “(2) \$1,000 (\$500 in the case of a qualified
24 health services provider who is a physician assistant
25 or a nurse practitioner).

1 “(b) QUALIFIED PRIMARY HEALTH SERVICES PRO-
2 VIDER.—For purposes of this section, the term ‘qualified
3 primary health services provider’ means any physician,
4 physician assistant, or nurse practitioner who for any
5 month during a mandatory service period is certified by
6 the Bureau to be a primary health services provider who—

7 “(1) is providing primary health services—

8 “(A) full time, and

9 “(B) to individuals at least 80 percent of
10 whom reside in a rural health professional
11 shortage area,

12 “(2) is not receiving during such year a scholar-
13 ship under the National Health Service Corps Schol-
14 arship Program or a loan repayment under the
15 National Health Service Corps Loan Repayment
16 Program,

17 “(3) is not fulfilling service obligations under
18 such Programs, and

19 “(4) has not defaulted on such obligations.

20 “(c) MANDATORY SERVICE PERIOD.—For purposes
21 of this section, the term ‘mandatory service period’ means
22 the period of 60 consecutive calendar months beginning
23 with the first month the taxpayer is a qualified primary
24 health services provider.

1 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-
2 poses of this section—

3 “(1) BUREAU.—The term ‘Bureau’ means the
4 Bureau of Health Care Delivery and Assistance,
5 Health Resources and Services Administration of the
6 United States Public Health Service.

7 “(2) PHYSICIAN.—The term ‘physician’ has the
8 meaning given to such term by section 1861(r) of
9 the Social Security Act.

10 “(3) PHYSICIAN ASSISTANT; NURSE PRACTI-
11 TIONER.—The terms ‘physician assistant’ and ‘nurse
12 practitioner’ have the meanings given to such terms
13 by section 1861(aa)(5) of the Social Security Act.

14 “(4) PRIMARY HEALTH SERVICES PROVIDER.—
15 The term ‘primary health services provider’ means a
16 provider of primary health services (as defined in
17 section 330(b)(1) of the Public Health Service Act).

18 “(5) RURAL HEALTH PROFESSIONAL SHORTAGE
19 AREA.—The term ‘rural health professional shortage
20 area’ means—

21 “(A) a class 1 or class 2 health profes-
22 sional shortage area (as defined in section
23 332(a)(1)(A) of the Public Health Service Act)
24 in a rural area (as determined under section
25 1886(d)(2)(D) of the Social Security Act), or

1 “(B) an area which is determined by the
 2 Secretary of Health and Human Services as
 3 equivalent to an area described in subparagraph
 4 (A) and which is designated by the Bureau of
 5 the Census as not urbanized.

6 “(e) RECAPTURE OF CREDIT.—

7 “(1) IN GENERAL.—If, during any taxable year,
 8 there is a recapture event, then the tax of the tax-
 9 payer under this chapter for such taxable year shall
 10 be increased by an amount equal to the product of—

11 “(A) the applicable percentage, and

12 “(B) the aggregate unrecaptured credits
 13 allowed to such taxpayer under this section for
 14 all prior taxable years.

15 “(2) APPLICABLE RECAPTURE PERCENTAGE.—

16 “(A) IN GENERAL.—For purposes of this
 17 subsection, the applicable recapture percentage
 18 shall be determined from the following table:

“If the recapture event occurs during:	The applicable recap- ture percentage is:
Months 1–24	100
Months 25–36	75
Months 37–48	50
Months 49–60	25
Months 61 and thereafter	0.

19 “(B) TIMING.—For purposes of subpara-
 20 graph (A), month 1 shall begin on the first day
 21 of the mandatory service period.

22 “(3) RECAPTURE EVENT DEFINED.—

1 “(A) IN GENERAL.—For purposes of this
2 subsection, the term ‘recapture event’ means
3 the failure of the taxpayer to be a qualified pri-
4 mary health services provider for any month
5 during any mandatory service period.

6 “(B) CESSATION OF DESIGNATION.—The
7 cessation of the designation of any area as a
8 rural health professional shortage area after the
9 beginning of the mandatory service period for
10 any taxpayer shall not constitute a recapture
11 event.

12 “(C) SECRETARIAL WAIVER.—The Sec-
13 retary may waive any recapture event caused by
14 extraordinary circumstances.

15 “(4) NO CREDITS AGAINST TAX.—Any increase
16 in tax under this subsection shall not be treated as
17 a tax imposed by this chapter for purposes of deter-
18 mining the amount of any credit under subpart A,
19 B, or D of this part.”.

20 (b) CLERICAL AMENDMENT.—The table of sections
21 for subpart A of part IV of subchapter A of chapter 1
22 of the Internal Revenue Code of 1986 is amended by in-
23 serting after the item relating to section 25 the following
24 new item:

“Sec. 25A. Primary health services providers.”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 December 31, 1993.

4 **SEC. 102. NATIONAL HEALTH SERVICE CORPS LOAN REPAY-**
 5 **MENTS EXCLUDED FROM GROSS INCOME.**

6 (a) IN GENERAL.—Part III of subchapter B of chap-
 7 ter 1 of the Internal Revenue Code of 1986 (relating to
 8 items specifically excluded from gross income) is amended
 9 by redesignating section 137 as section 138 and by insert-
 10 ing after section 136 the following new section:

11 **“SEC. 137. NATIONAL HEALTH SERVICE CORPS LOAN RE-**
 12 **PAYMENTS.**

13 “(a) GENERAL RULE.—Gross income shall not in-
 14 clude any qualified loan repayment.

15 “(b) QUALIFIED LOAN REPAYMENT.—For purposes
 16 of this section, the term ‘qualified loan repayment’ means
 17 any payment made on behalf of the taxpayer by the Na-
 18 tional Health Service Corps Loan Repayment Program
 19 under section 338B(g) of the Public Health Service Act.”.

20 (b) CLERICAL AMENDMENT.—The table of sections
 21 for part III of subchapter B of chapter 1 of the Internal
 22 Revenue Code of 1986 is amended by striking the item
 23 relating to section 137 and inserting the following:

“Sec. 137. National Health Service Corps loan repayments.
 “Sec. 138. Cross references to other Acts.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to payments made under section
3 338B(g) of the Public Health Service Act after the date
4 of the enactment of this Act.

5 **SEC. 103. EXPENSING OF MEDICAL EQUIPMENT.**

6 (a) IN GENERAL.—Section 179 of the Internal Reve-
7 nue Code of 1986 (relating to election to expense certain
8 depreciable business assets) is amended—

9 (1) by striking paragraph (1) of subsection (b)
10 and inserting the following:

11 “(1) DOLLAR LIMITATION.—

12 “(A) GENERAL RULE.—The aggregate cost
13 which may be taken into account under sub-
14 section (a) for any taxable year shall not exceed
15 \$10,000.

16 “(B) RURAL HEALTH CARE PROPERTY.—

17 In the case of rural health care property, the
18 aggregate cost which may be taken into account
19 under subsection (a) for any taxable year shall
20 not exceed \$25,000, reduced by the amount
21 otherwise taken into account under subsection
22 (a) for such year.”; and

23 (2) by adding at the end of subsection (d) the
24 following new paragraph:

1 (b) REPORTS.—An interim report of the study de-
 2 scribed in paragraph (1) shall be submitted by the Sec-
 3 retary of Health and Human Services to the Congress 1
 4 year after the date of the enactment of this Act. A final
 5 report of such study shall be submitted to the Congress
 6 within 2 years of such date of enactment.

7 **TITLE II—PUBLIC HEALTH**
 8 **SERVICE PROVISIONS**

9 **SEC. 201. PREVENTATIVE HEALTH SERVICES.**

10 Part A of title XIX of the Public Health Service Act
 11 (42 U.S.C. 300w et seq.) is amended—

12 (1) in section 1901, by adding at the end there-
 13 of the following new subsection:

14 “(c) Of the amounts appropriated for each fiscal year
 15 under subsection (a), the Secretary shall make available
 16 not less than \$5,000,000 in each such fiscal year to carry
 17 out section 1910A.”; and

18 (2) by adding at the end thereof the following
 19 new section:

20 **“SEC. 1910A. PREVENTATIVE GRANTS FOR COUNTY HEALTH**
 21 **DEPARTMENTS.**

22 “(a) IN GENERAL.—From amounts made available
 23 under section 1901(c), the Secretary shall make grants to
 24 county health departments to enable such departments to
 25 provide preventative health services in areas within the

1 county which the Bureau of the Census determines to be
2 not urbanized.

3 “(b) APPLICATION.—To be eligible to receive a grant
4 under subsection (a), a county health department shall
5 prepare and submit, to the Secretary, an application at
6 such time, in such form, and containing such information
7 as the Secretary shall require.

8 “(c) USE OF FUNDS.—A county health department
9 shall use amounts provided through a grant received under
10 this section to—

11 “(1) provide immunization services to control
12 the spread of infectious diseases;

13 “(2) improve maternal and infant health;

14 “(3) reduce adolescent pregnancy and improve
15 reproductive health; and

16 “(4) provide such other services as the Sec-
17 retary determines appropriate.

18 “(d) DEFINITION.—Not later than 30 days after the
19 date of enactment of this section, the Secretary shall pro-
20 mulgate regulations that define ‘county health depart-
21 ment’ for purposes of this section.”.

1 **TITLE III—STATE HEALTH**
2 **SERVICE CORPS DEMON-**
3 **STRATION PROJECTS**

4 **SEC. 301. SHORT TITLE.**

5 This title may be cited as the “State Health Service
6 Corps Demonstration Act”.

7 **SEC. 302. PURPOSE.**

8 It is the purpose of this title—

9 (1) to promote recruitment and training of
10 physicians and other primary care providers from
11 among the poor and from disadvantaged
12 populations;

13 (2) to place physicians from health professional
14 shortage areas into similar areas in order to encour-
15 age retention of physicians in health professional
16 shortage areas; and

17 (3) to provide flexibility to States in filling posi-
18 tions in health professional shortage areas.

19 **SEC. 303. STATE HEALTH SERVICE CORPS DEMONSTRATION PROJECTS.**
20

21 The Public Health Service Act is amended by insert-
22 ing after section 338L (42 U.S.C. 254t) the following new
23 sections:

1 **“SEC. 338M. STATE HEALTH SERVICE CORPS DEMONSTRATION PROJECTS.**
2

3 “(a) DEFINITIONS.—For purposes of this section:

4 “(1) AREA HEALTH EDUCATION CENTER.—The
5 term ‘area health education center’ means—

6 “(A) a cooperative program of one or more
7 medical schools (or the parent institutions of
8 such schools) and one or more nonprofit private
9 or public area health education centers; or

10 “(B) a regional or statewide network of
11 the cooperative programs described in subpara-
12 graph (A).

13 “(2) HEALTH PROFESSIONAL SHORTAGE
14 AREA.—The term ‘health professional shortage area’
15 has the meaning provided in section 332(a)(1).

16 “(3) MEDICAL SCHOOL.—The term ‘medical
17 school’ means a school conferring the degree of Doc-
18 tor of Medicine or Doctor of Osteopathy.

19 “(4) NONPHYSICIAN PROVIDER.—The term
20 ‘nonphysician provider’ means an occupational ther-
21 apist, physical therapist, nurse, nurse midwife, nurse
22 practitioner, social worker, or optometrist.

23 “(5) NURSE.—The term ‘nurse’ means a reg-
24 istered nurse, or an individual with a baccalaureate
25 or master’s degree in nursing.

1 “(6) PARENT INSTITUTION.—The term ‘parent
2 institution’ means any health sciences university
3 housing a medical school and one or more other
4 health professions schools.

5 “(7) PHYSICIAN PROVIDER.—The term ‘physi-
6 cian provider’ means—

7 “(A) a physician specializing in general
8 practice, family medicine, general internal medi-
9 cine, pediatrics, obstetrics and gynecology, gen-
10 eral surgery, psychiatry, preventive medicine
11 and public health, or physiatry; or

12 “(B) a dentist.

13 “(8) PROJECT.—The term ‘Project’ means a
14 State Health Service Corps Demonstration Project
15 established under subsection (b).

16 “(9) SERVICE AREA.—The term ‘service area’
17 means an area designated in subsection (d)(2)(A).

18 “(b) GRANTS.—The Secretary shall establish a State
19 Health Service Corps Demonstration Project under which
20 the Secretary shall make grants to up to 10 States to pay
21 for the Federal share of the costs of conducting Projects
22 for the training and employment of eligible participants
23 as physician and nonphysician providers serving health
24 professional shortage areas.

25 “(c) STATE PARTICIPATION.—

1 “(1) REQUIREMENTS.—In order for a State to
2 be eligible to receive a grant under this section, the
3 State shall—

4 “(A) enter into an agreement with an area
5 health education center to administer the
6 Project in accordance with subsection (d);

7 “(B) provide for evaluation of the Project
8 in accordance with subsection (e);

9 “(C) establish a State Health Service
10 Corps Scholarship Program in accordance with
11 section 338N; and

12 “(D) meet such other requirements as the
13 Secretary may establish for the proper and effi-
14 cient implementation of the Project.

15 “(2) GRANT AWARDS.—In allocating grants
16 under subsection (b), the Secretary shall give prior-
17 ity to States that have demonstrated a commitment
18 to developing and funding area health education cen-
19 ter programs.

20 “(3) APPLICATION.—To be eligible to receive a
21 grant under this section, the State shall submit an
22 application at such time, in such manner and con-
23 taining such agreements, assurances, and informa-
24 tion as the Secretary determines to be necessary to

1 carry out this section. At a minimum, the applica-
2 tion shall contain—

3 “(A) information specifying the actions the
4 State will take against individuals, and the
5 methods the State will use to recover all funds
6 paid under section 338N(i) to individuals, who
7 breach contracts described in section 338N(g);
8 and

9 “(B) assurances that the State will reim-
10 burse the Secretary for all funds recovered from
11 individuals who breach contracts described in
12 section 338N(g).

13 “(4) DURATION.—A Project under this section
14 shall be for a maximum duration of 8 years, plus up
15 to 6 months for final evaluation and reporting.

16 “(d) STATE AGREEMENTS WITH AREA HEALTH
17 EDUCATION CENTERS.—

18 “(1) IN GENERAL.—To be eligible for a grant
19 under this section, a State shall enter into an agree-
20 ment with an area health education center for the
21 planning, development, and operation of a program
22 to train and employ eligible participants as physician
23 and nonphysician providers.

1 “(2) REQUIREMENTS.—Under an agreement
2 entered into under paragraph (1), an area health
3 education center shall agree to—

4 “(A) designate a health professional short-
5 age area or areas as the service area for the
6 area health education center;

7 “(B) provide for or conduct training in
8 health education services in the service area;

9 “(C) assess the health professional needs
10 of the service area and assist in the planning
11 and development of training programs to meet
12 the needs;

13 “(D) provide for or conduct a rotating in-
14 ternship or residency training program in the
15 service area;

16 “(E) provide opportunities for continuing
17 education to physician and nonphysician provid-
18 ers practicing within the service area;

19 “(F) conduct interdisciplinary training and
20 practice involving physician and nonphysician
21 providers in the service area;

22 “(G) arrange and support educational op-
23 portunities for students studying to become
24 physician or nonphysician providers at health

1 facilities, ambulatory care centers, and health
2 agencies throughout the service area;

3 “(H) provide for the active participation in
4 the Project by individuals who are associated
5 with the administration of the sponsoring
6 health professions and each of the departments
7 or specialties of physician or nonphysician pro-
8 viders (if any) which are offered under the
9 Project; and

10 “(I) have an advisory board of which at
11 least 75 percent of the members shall be indi-
12 viduals, including both health service providers
13 and consumers, from the service area.

14 “(e) EVALUATION.—Not later than March 30, 1998,
15 and March 30, 2002, each State receiving a grant under
16 this section shall, through grants to or contracts with pub-
17 lic and private entities, provide for—

18 “(1) an evaluation of Projects—

19 “(A) which were carried out pursuant to
20 this section during any fiscal year preceding the
21 fiscal year in which such date occurs, and

22 “(B) for which no prior evaluation under
23 this subsection was made, and

24 “(2) a review of the area health education cen-
25 ter providing services under the Projects. The eval-

1 uation shall include an evaluation of the effective-
2 ness of the Projects in increasing the recruitment
3 and retention of physician and nonphysician provid-
4 ers in health professional shortage areas.

5 “(f) FEDERAL SHARE.—The Federal share of the
6 costs of any program established under this section with
7 respect to any State shall be the percentage of such costs
8 equal to the Federal medical assistance percentage appli-
9 cable to such State under section 1905(b) of the Social
10 Security Act. The State may include as a part or all of
11 the non-Federal share of grants—

12 “(1) any State funds supporting area health
13 education centers, and

14 “(2) the value of in-kind contributions made by
15 the State, including tuition remission and other ben-
16 efits for students participating in the State Health
17 Service Corps Scholarship Program established
18 under section 338N.

19 “(g) AUTHORIZATION OF APPROPRIATIONS.—

20 “(1) IN GENERAL.—There are authorized to be
21 appropriated for each of the 1994 through 2001 fis-
22 cal years to carry out the purposes of this section an
23 amount equal to the product of—

24 “(A) \$250,000, multiplied by

1 “(B) the number of States receiving grants
2 under this section for such fiscal year.

3 Any amount appropriated under this section shall be
4 available without fiscal year limitation.

5 “(2) COST RECOVERY.—No more than 10 per-
6 cent of the funds spent under paragraph (1) may be
7 used for purposes of recovering funds or taking
8 other action against individuals who breach the pro-
9 visions of a contract entered into under section
10 338N(g).

11 **“SEC. 338N. STATE HEALTH SERVICE CORPS SCHOLARSHIP**
12 **PROGRAMS.**

13 “(a) DEFINITIONS.—For purposes of this section:

14 “(1) AREA HEALTH EDUCATION CENTER.—The
15 term ‘area health education center’ means—

16 “(A) a cooperative program of one or more
17 medical schools (or the parent institutions (as
18 defined in section 338M(a)(6)) of such schools)
19 and one or more nonprofit private or public
20 area health education centers; or

21 “(B) a regional or statewide network of
22 the cooperative programs described in subpara-
23 graph (A).

24 “(2) GRADUATE EDUCATION.—The term ‘grad-
25 uate education’ means a course of study at a medi-

1 cal school or other health professions school leading
2 to a degree in a field practiced by a physician or
3 nonphysician provider.

4 “(3) HEALTH PROFESSIONAL SHORTAGE
5 AREA.—The term ‘health professional shortage area’
6 has the meaning provided in section 332(a)(1).

7 “(4) MEDICAL SCHOOL.—The term ‘medical
8 school’ means a school conferring the degree of Doc-
9 tor of Medicine or Doctor of Osteopathy.

10 “(5) NONPHYSICIAN PROVIDER.—The term
11 ‘nonphysician provider’ means an occupational ther-
12 apist, physical therapist, nurse, nurse midwife, nurse
13 practitioner, social worker, or optometrist.

14 “(6) NURSE.—The term ‘nurse’ means a reg-
15 istered nurse, or an individual with a baccalaureate
16 or master’s degree in nursing.

17 “(7) PHYSICIAN PROVIDER.—The term ‘physi-
18 cian provider’ means—

19 “(A) a physician specializing in family
20 medicine, general internal medicine, pediatrics,
21 obstetrics and gynecology, general surgery, psy-
22 chiatry, preventive medicine, or psychiatry; or

23 “(B) a dentist.

1 “(8) PROGRAM.—The term ‘Program’ means a
2 State Health Service Corps Scholarship Program es-
3 tablished under subsection (b).

4 “(9) SERVICE AREA.—The term ‘service area’
5 means an area designated in section 338M(d)(2)(A).

6 “(10) STATE OFFICIAL.—The term ‘State offi-
7 cial’ means an individual designated by the head of
8 the agency designated in subsection (b)(2) to carry
9 out the Program in the State.

10 “(11) UNDERGRADUATE EDUCATION.—The
11 term ‘undergraduate education’ means a course of
12 study at a health sciences university or a 4-year col-
13 lege that affords an appropriate basis for profes-
14 sional training or graduate education to become a
15 physician or nonphysician provider.

16 “(b) ESTABLISHMENT.—

17 “(1) IN GENERAL.—Each State carrying out a
18 State Health Services Corps Demonstration Project
19 established under section 338M shall establish a
20 State Health Service Corps Scholarship Program, in
21 accordance with this section, to ensure an adequate
22 supply of trained physician or nonphysician provid-
23 ers in health professional shortage areas in the
24 State.

1 “(2) STATE AGENCY.—A State participating in
2 the Program shall designate a State agency to ad-
3 minister or be responsible for the administration of
4 the Program within the State.

5 “(c) ELIGIBILITY.—To be eligible to participate in
6 the Program, an individual must—

7 “(1)(A) be accepted for enrollment, or be en-
8 rolled, as a full-time student in a health professions
9 program in a health sciences university or a 4-year
10 college; or

11 “(B) be accepted to participate in, or be partici-
12 pating in, a professional internship or residency as
13 preparation to become a physician or nonphysician
14 provider;

15 “(2) reside within a health professional short-
16 age area;

17 “(3) submit an application to participate in the
18 Program; and

19 “(4) sign and submit to the State, at the time
20 of submission of the application, a written contract
21 containing the information specified in subsection
22 (g) to accept payment of a scholarship and, if appro-
23 priate, of loans, and to serve in the service area.

24 “(d) SELECTION.—Individuals described in sub-
25 section (c)(1)(B)—

1 “(1) shall comprise not more than 50 percent
2 of all individuals selected to participate in the Pro-
3 gram during fiscal year 1994;

4 “(2) shall comprise not more than 40 percent
5 of all individuals selected to participate in the Pro-
6 gram during fiscal year 1995;

7 “(3) shall comprise not more than 30 percent
8 of all individuals selected to participate in the Pro-
9 gram during fiscal year 1996;

10 “(4) shall comprise not more than 20 percent
11 of all individuals selected to participate in the Pro-
12 gram during fiscal year 1997;

13 “(5) shall comprise not more than 10 percent
14 of all individuals selected to participate in the Pro-
15 gram during fiscal year 1998; and

16 “(6) shall not be selected to participate in the
17 Program during fiscal years 1999 through 2001.

18 “(e) INFORMATION ON SERVICE OBLIGATION.—In
19 disseminating application forms and contract forms to in-
20 dividuals desiring to participate in the Program, the State
21 official shall include with the forms—

22 “(1) a fair summary of the rights and liabilities
23 of an individual whose application is approved (and
24 whose contract is accepted) by the State official, in-
25 cluding in the summary a clear explanation of the

1 remedies to which the State is entitled in the case
2 of breach of the contract by the individual; and

3 “(2) such information as may be necessary for
4 the individual to understand the prospective partici-
5 pation of the individual in the Program and the
6 service obligation of the individual.

7 “(f) APPLICATION FORMS.—The application form,
8 contract form, and all other information furnished by the
9 Secretary under this section shall be written in a manner
10 calculated to be understood by the average individual ap-
11 plying to participate in the Program. The State official
12 shall make the application forms, contract forms, and
13 other information available to individuals desiring to par-
14 ticipate in the Program on a date sufficiently early to en-
15 sure that the individuals have adequate time to carefully
16 review and evaluate the forms and information.

17 “(g) CONTRACT.—The written contract between the
18 State official and an individual shall contain—

19 “(1) a statement that the State official
20 agrees—

21 “(A) to provide the individual with a schol-
22 arship for a period of up to 8 years, during
23 which period the individual is—

24 “(i) pursuing an undergraduate edu-
25 cation described in subsection (a)(11);

1 “(ii) pursuing graduate education; or

2 “(iii) participating in an internship or

3 residency program as preparation to be-

4 come a physician or nonphysician provider;

5 and

6 “(B) to place the individual into obligated

7 service, taking into account the specialization of

8 the individual and the needs of health profes-

9 sional shortage areas for service, in—

10 “(i) a rural health professional short-

11 age area, if the individual resided in a

12 rural health professional shortage area at

13 the time of acceptance into the Program;

14 or

15 “(ii) an urban health professional

16 shortage area, if the individual resided in

17 an urban health professional shortage area

18 at the time of acceptance into the

19 Program;

20 “(2) a statement that the individual agrees—

21 “(A) to accept provision of the scholarship,

22 and if appropriate, loans, to the individual;

23 “(B) to maintain enrollment in a program

24 of undergraduate or graduate education or par-

25 ticipation in an internship or residency de-

1 scribed in subsection (c)(1)(B) until the individ-
2 ual completes the program, internship, or resi-
3 dency;

4 “(C) while enrolled in a program of under-
5 graduate or graduate education, to maintain an
6 acceptable level of academic standing (as deter-
7 mined under regulations of the State by the
8 educational institution offering the course of
9 study); and

10 “(D) to serve in the service area or on the
11 clinical staff of the area health education center
12 or the medical school for a time period equal to
13 the shorter of—

14 “(i)(I) 1 year for each year in which
15 the individual received a scholarship under
16 the Program; and

17 “(II) 1 month for each \$1,000 in
18 loans that the individual received under the
19 Program; or

20 “(ii) 6 years;

21 “(3) a statement of the damages to which the
22 State is entitled for breach of contract by the indi-
23 vidual; and

1 “(4) other statements of the rights and liabil-
2 ities of the State and of the individual, not inconsis-
3 tent with this section.

4 “(h) ACCEPTANCE.—

5 “(1) APPROVAL.—An individual shall become a
6 participant in the Program only on approval by the
7 State official of the application submitted by the in-
8 dividual under subsection (c)(3) and acceptance of
9 the contract submitted by the individual under sub-
10 section (c)(4).

11 “(2) NOTIFICATION.—The State official shall
12 provide written notice to an individual of participa-
13 tion in the Program promptly on acceptance of the
14 individual into the Program.

15 “(i) SCHOLARSHIP AND LOANS.—

16 “(1) PAYMENT.—In providing a loan to an indi-
17 vidual under subsection (g)(1)(A) or a scholarship to
18 an individual under subsection (g)(1)(B), the State
19 official shall pay—

20 “(A) to an individual undertaking a pro-
21 gram of undergraduate or graduate education,
22 or on behalf of the individual in accordance
23 with paragraph (2)—

24 “(i) the amount of the tuition of the
25 individual in the school year;

1 “(ii) the amount of all other reason-
2 able educational expenses, including fees,
3 books, and laboratory expenses, incurred
4 by the individual in the school year; and

5 “(iii) a stipend; and

6 “(B) to an individual described in sub-
7 section (c)(1)(B)—

8 “(i) the amount of expenses for medi-
9 cal equipment necessary to the practice of
10 a physician or nonphysician provider;

11 “(ii) the amount of expenses for travel
12 to and from clinical sites; and

13 “(iii) a stipend.

14 “(2) PAYMENT TO AN EDUCATIONAL INSTITU-
15 TION.—The State official may contract with an edu-
16 cational institution, in which a participant in the
17 Program is enrolled, for the payment to the edu-
18 cational institution of the amounts of tuition and
19 other reasonable educational expenses described in
20 clauses (i) and (ii) of paragraph (1)(A).

21 “(j) REPORT.—The State official shall report to the
22 Secretary on January 1 of each year—

23 “(1) the number, and type of health profession
24 training, of students receiving scholarships under
25 the Program in the preceding year;

1 “(2) the educational institutions at which the
2 students are receiving their training;

3 “(3) the number of applications filed under this
4 section in the school year in the preceding year and
5 in prior school years; and

6 “(4) the amount of tuition paid in the aggre-
7 gate and at each educational institution for the
8 school year in the preceding year and in prior school
9 years.”.

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