

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4688

To amend the Internal Revenue Code of 1986, the Public Health Service Act, and certain other Acts to provide for an increase in the number of health professionals serving in rural areas.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 30, 1994

Ms. LAMBERT introduced the following bill; which was referred jointly to the Committees on Energy and Commerce, Ways and Means, and Education and Labor

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## A BILL

To amend the Internal Revenue Code of 1986, the Public Health Service Act, and certain other Acts to provide for an increase in the number of health professionals serving in rural areas.

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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Rural Health Care Practitioners Revitalization Act of  
6 1994”.

7 (b) TABLE OF CONTENTS.—The table of contents for  
8 this Act is as follows:

Sec. 1. Short title; table of contents.

**TITLE I—TAX INCENTIVES REGARDING RURAL HEALTH CARE**

- Sec. 101. National Health Service Corps loan repayments excluded from gross income.
- Sec. 102. Deduction for medical school education loan interest incurred by health professionals serving in medically underserved rural areas.
- Sec. 103. Nonrefundable credit for certain primary health services providers.
- Sec. 104. Expensing of medical equipment.

**TITLE II—PUBLIC HEALTH SERVICE PROGRAMS REGARDING RURAL HEALTH CARE**

**Subtitle A—National Health Service Corps**

PART 1—GENERAL CORPS PROGRAM

- Sec. 201. Designation of health professional shortage areas.
- Sec. 202. Funding for special loans for former Corps members to enter private practice in health professional shortage areas.
- Sec. 203. Assignment of Corps personnel; priority for rural medical facilities providing experience regarding health professions as career choice.

PART 2—SCHOLARSHIP AND LOAN REPAYMENT PROGRAMS

- Sec. 211. Provision regarding increase in funding.
- Sec. 212. Priority for certain individuals from rural backgrounds.

PART 3—LOW-INTEREST LOANS REGARDING OBLIGATED SERVICE IN UNDERSERVED RURAL AREAS

- Sec. 221. Establishment of program of loans.

**Subtitle B—Other Programs Regarding Rural Health Care**

- Sec. 231. State offices of rural health.
- Sec. 232. Area health education center programs; authorization of appropriations.

**TITLE III—STATE HEALTH SERVICE CORPS DEMONSTRATION PROJECTS**

- Sec. 301. Purpose.
- Sec. 302. State health service corps demonstration projects.

**TITLE IV—TREATMENT OF STUDENT LOANS FOR HEALTH PROFESSIONALS**

- Sec. 401. Loans under Higher Education Act of 1965; deferments regarding postgraduate primary-care programs in underserved rural areas.

1 **TITLE I—TAX INCENTIVES RE-**  
2 **GARDING RURAL HEALTH**  
3 **CARE**

4 **SEC. 101. 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) CONFORMING AMENDMENT.—Paragraph (3) of  
21 section 338B(g) of the Public Health Service Act is  
22 amended by striking “Federal, State, or local” and insert-  
23 ing “State or local”.

1 (c) CLERICAL AMENDMENT.—The table of sections  
 2 for part III of subchapter B of chapter 1 of the Internal  
 3 Revenue Code of 1986 is amended by striking the item  
 4 relating to section 137 and inserting the following:

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

5 (d) EFFECTIVE DATE.—The amendments made by  
 6 this section shall apply to payments made under section  
 7 338B(g) of the Public Health Service Act after the date  
 8 of the enactment of this Act.

9 **SEC. 102. DEDUCTION FOR MEDICAL EDUCATION LOAN IN-**  
 10 **TEREST INCURRED BY HEALTH PROFES-**  
 11 **SIONALS SERVING IN MEDICALLY UNDER-**  
 12 **SERVED RURAL AREAS.**

13 (a) IN GENERAL.—Paragraph (1) of section 163(h)  
 14 of the Internal Revenue Code of 1986 (relating to dis-  
 15 allowance of deduction for personal interest) is amended  
 16 by striking “and” at the end of subparagraph (D), by re-  
 17 designating subparagraph (E) as subparagraph (F), and  
 18 by inserting after subparagraph (D) the following new  
 19 subparagraph:

20 “(E) any qualified medical education loan  
 21 interest (within the meaning of paragraph (5)),  
 22 and”.

23 (b) QUALIFIED MEDICAL EDUCATION LOAN INTER-  
 24 EST DEFINED.—Subsection (h) of section 163 of such

1 Code is amended by redesignating paragraph (5) as para-  
2 graph (6) and by inserting after paragraph (4) the follow-  
3 ing new paragraph:

4           “(5) QUALIFIED MEDICAL EDUCATION LOAN IN-  
5           TEREST.—

6                   “(A) IN GENERAL.—The term ‘qualified  
7           medical education loan interest’ means inter-  
8           est—

9                           “(i) which is on a medical education  
10                           loan of a health professional,

11                                   “(ii) which is paid or accrued by such  
12                                   health professional, and

13   “(iii) which accrues during the pe-  
14   riod—

15   “(I) such health professional is  
16   providing care to residents of a medi-  
17   cally underserved rural area, and

18   “(II) such health professional’s  
19   principal place of abode is in such  
20   area.

21           In the case of a health professional who is a  
22           physician, the requirement of clause (iii)(I)  
23           shall be met only if such physician is providing  
24           primary care (including internal medicine, pedi-

1           atrics, obstetrics/gynecology, family medicine,  
2           and osteopathy) to such residents.

3           “(B) MEDICAL EDUCATION LOAN.—For  
4           purposes of subparagraph (A), the term ‘medi-  
5           cal education loan’ means indebtedness incurred  
6           to pay the individual’s—

7                   “(i) qualified tuition and related ex-  
8                   penses (as defined in section 117(b)) in-  
9                   curred for the medical education of such  
10                  individual, or

11                   “(ii) reasonable living expenses while  
12                   away from home in order to attend an edu-  
13                   cational institution described in section  
14                   170(b)(1)(A)(ii) for the medical education  
15                   of such individual.

16           “(C) HEALTH PROFESSIONAL.—For pur-  
17           poses of subparagraph (A), the term ‘health  
18           professional’ means any physician, physician as-  
19           sistant, nurse practitioner, nurse clinician,  
20           nurse midwife, and allied health professional.

21           “(C) PHYSICIAN.—For purposes of this  
22           paragraph, the term ‘physician’ has the mean-  
23           ing given such term by section 1861(r)(1) of  
24           the Social Security Act.



1 amended by inserting after section 25 the following new  
2 section:

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

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

9 “(1) the lesser of—

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

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

17 “(2) \$1,000 (\$500 in the case of a qualified  
18 primary health services provider who is a physician  
19 assistant or a nurse practitioner).

20 “(b) QUALIFIED PRIMARY HEALTH SERVICES PRO-  
21 VIDER.—For purposes of this section, the term ‘qualified  
22 primary health services provider’ means any physician,  
23 physician assistant, nurse practitioner, nurse clinician, or  
24 nurse midwife who for any month during a mandatory

1 service period is certified by the Bureau to be a primary  
2 health services provider who—

3 “(1) is providing primary health services—

4 “(A) full time, and

5 “(B) to individuals at least 80 percent of  
6 whom reside in a rural health professional  
7 shortage area,

8 “(2) is not receiving during such year a scholar-  
9 ship under the National Health Service Corps Schol-  
10 arship Program or a loan repayment under the Na-  
11 tional Health Service Corps Loan Repayment Pro-  
12 gram,

13 “(3) is not fulfilling service obligations under  
14 such Programs, and

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

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

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

23 “(1) BUREAU.—The term ‘Bureau’ means the  
24 Bureau of Health Care Delivery and Assistance,

1 Health Resources and Services Administration of the  
2 United States Public Health Service.

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

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

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

14 “(5) RURAL HEALTH PROFESSIONAL SHORTAGE  
15 AREA.—The term ‘rural health professional shortage  
16 area’ means—

17 “(A) a rural health professional shortage  
18 area (as defined in section 332(a)(1)(A) of the  
19 Public Health Service Act) in a rural area (as  
20 determined under section 1886(d)(2)(D) of the  
21 Social Security Act),

22 “(B) an area which is determined by the  
23 Secretary of Health and Human Services as  
24 equivalent to an area described in subparagraph

1 (A) and which is designated by the Bureau of  
 2 the Census as not urbanized, or

3 “(C) a community that is certified as un-  
 4 derserved by the Secretary for purposes of par-  
 5 ticipation in the rural health clinic program  
 6 under title XVIII of the Social Security Act.

7 “(e) RECAPTURE OF CREDIT.—

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

12 “(A) the applicable percentage, and

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

16 “(2) APPLICABLE RECAPTURE PERCENTAGE.—

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

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

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

1 “(3) RECAPTURE EVENT DEFINED.—

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

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

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

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

21 (b) CLERICAL AMENDMENT.—The table of sections  
22 for subpart A of part IV of subchapter A of chapter 1  
23 of such Code is amended by inserting after the item relat-  
24 ing to section 25 the following 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 the date of the enactment of this Act.

4 **SEC. 104. EXPENSING OF MEDICAL EQUIPMENT.**

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

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

10 “(1) DOLLAR LIMITATION.—

11 “(A) GENERAL RULE.—The aggregate cost  
12 which may be taken into account under sub-  
13 section (a) for any taxable year shall not exceed  
14 \$17,500.

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

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

24 “(11) RURAL HEALTH CARE PROPERTY.—For  
25 purposes of this section, the term ‘rural health care

1 property' means section 179 property used by a phy-  
2 sician (as defined in section 1861(r) of the Social  
3 Security Act) in the active conduct of such physi-  
4 cian's full-time trade or business of providing pri-  
5 mary health services (as defined in section 330(b)(1)  
6 of the Public Health Service Act) in a rural health  
7 professional shortage area (as defined in section  
8 25A(d)(5)).”.

9 (b) EFFECTIVE DATE.—The amendments made by  
10 this subsection shall apply to property placed in service  
11 in taxable years beginning after the date of the enactment  
12 of this Act.

13 **TITLE II—PUBLIC HEALTH SERV-**  
14 **ICE PROGRAMS REGARDING**  
15 **RURAL HEALTH CARE**

16 **Subtitle A—National Health**  
17 **Service Corps**

18 **PART 1—GENERAL CORPS PROGRAM**

19 **SEC. 201. DESIGNATION OF HEALTH PROFESSIONAL**  
20 **SHORTAGE AREAS.**

21 Section 332(b) of the Public Health Service Act (42  
22 U.S.C. 254e(b)) is amended by adding at the end the fol-  
23 lowing paragraph:

24 “(4) With respect to determining the need for  
25 health services through the indicators of need under

1 paragraphs (1) and (2), consideration of the follow-  
2 ing:

3 “(A) The number of individuals in the pop-  
4 ulation involved whose means of payment for  
5 health services is the program under title XVIII  
6 of the Social Security Act.

7 “(B) The number of individuals in the  
8 population whose means of payment for health  
9 services is the program under title XIX of such  
10 Act.

11 “(C) The number of individuals in the pop-  
12 ulation who are uninsured with respect to  
13 health policies or plans.

14 “(D) The percentage of the population  
15 constituted by the aggregate number of individ-  
16 uals under subparagraphs (A) through (C).

17 “(E) In the case of community-based phy-  
18 sicians who provide primary health services and  
19 who are accepting additional patients whose  
20 means of payment is through the program es-  
21 tablished in title XVIII or XIX of the Social  
22 Security Act, the percentage constituted by the  
23 ratio of the number of such physicians to the  
24 number of individuals in the population.”.

1 **SEC. 202. FUNDING FOR SPECIAL LOANS FOR FORMER**  
2 **CORPS MEMBERS TO ENTER PRIVATE PRAC-**  
3 **TICE IN HEALTH PROFESSIONAL SHORTAGE**  
4 **AREAS.**

5 (a) IN GENERAL.—

6 (1) ALLOCATION.—Section 338(a) of the Public  
7 Health Service Act (42 U.S.C. 254k(a)) is amended  
8 by adding at the end the following paragraph:

9 “(3) Of the amounts appropriated under paragraph  
10 (1) for a fiscal year, the Secretary shall reserve not less  
11 than 5 percent for carrying out section 338G.”.

12 (2) CONFORMING AMENDMENT.—Section  
13 338G(a) of the Public Health Service Act (42  
14 U.S.C. 254p(a)) is amended in the matter preceding  
15 paragraph (1) by striking “authorized under section  
16 338” and inserting “reserved under section  
17 338(a)(3)”.

18 (b) STUDY.—

19 (1) IN GENERAL.—During the fiscal years 1996  
20 through 2000, the Secretary shall conduct a study  
21 for the purpose of determining the extent to which  
22 the program under section 338G of the Public  
23 Health Service Act has been effective in increasing  
24 the number of health professionals who begin private  
25 practice in health professional shortage areas after  
26 terminating the membership of the individuals in the

1 National Health Service Corps. The study shall sep-  
2 arately state the number of such individuals who  
3 have completed a period of obligated service under  
4 the scholarship or loan repayment program under  
5 section 338A or 338B of such Act, respectively.

6 (2) DATE CERTAIN FOR COMPLETION.—Not  
7 later than February 1, 2001, the Secretary shall  
8 complete the study required in paragraph (1) and  
9 submit to the Congress a report describing the find-  
10 ings made in the study.

11 (3) DEFINITIONS.—For purposes of this sub-  
12 section:

13 (A) The term “health professional shortage  
14 area” has the meaning given such term in sec-  
15 tion 331(a)(3) of the Public Health Service Act.

16 (B) The term “Secretary” means the Sec-  
17 retary of Health and Human Services.

18 **SEC. 203. ASSIGNMENT OF CORPS PERSONNEL; PRIORITY**  
19 **FOR RURAL MEDICAL FACILITIES PROVIDING**  
20 **EXPERIENCE REGARDING HEALTH PROFES-**  
21 **SIONS AS CAREER CHOICE.**

22 Section 333A(a)(1)(B) of the Public Health Service  
23 Act (42 U.S.C. 254f–1(a)(1)(B)) is amended—

24 (1) in clause (iii), by striking “and” after the  
25 semicolon at the end;

1 (2) in clause (iv), by adding “and” after the  
2 semicolon at the end; and

3 (3) by adding at the end the following clause:

4 “(v) in the case of entities providing  
5 health services in rural areas, is operating  
6 a program for students of rural secondary  
7 schools or institutions of higher education  
8 under which program the students are pro-  
9 vided with opportunities to visit or work at  
10 rural hospitals (or other rural health facili-  
11 ties) for the purpose of gaining experience  
12 regarding a career in a field of primary  
13 health care;”.

14 **PART 2—SCHOLARSHIP AND LOAN REPAYMENT**  
15 **PROGRAMS**

16 **SEC. 211. PROVISION REGARDING INCREASE IN FUNDING.**

17 Section 338H(b)(1) of the Public Health Service Act  
18 (42 U.S.C. 254q(b)(1)) is amended—

19 (1) by striking “and” after “1991,”;

20 (2) by striking “through 2000” and inserting  
21 “through 1994,”; and

22 (3) by inserting before the period the following:  
23 “\$150,000,000 for fiscal year 1995, and such sums  
24 as may be necessary for each of the fiscal years  
25 1996 through 2000”.

1 **SEC. 212. PRIORITY FOR CERTAIN INDIVIDUALS FROM**  
2 **RURAL BACKGROUNDS.**

3 (a) SCHOLARSHIP PROGRAM.—Section 338A(d) of  
4 the Public Health Service Act (42 U.S.C. 2541(d)) is  
5 amended—

6 (1) in paragraph (2), in the matter preceding  
7 subparagraph (A), by inserting “, subject to para-  
8 graph (3),” after “shall”; and

9 (2) by adding at the end the following para-  
10 graph:

11 “(3)(A) Of individuals receiving priority under para-  
12 graph (2)(B), the Secretary shall give further priority to  
13 any individual who has resided in a rural area for a signifi-  
14 cant number of years and who has characteristics indicat-  
15 ing the individual will, after the period of obligated service,  
16 serve in a rural health professional shortage area.

17 “(B) Factors considered by the Secretary in deter-  
18 mining priorities for purposes of subparagraph (A) shall  
19 include consideration of whether the health professions  
20 school attended (or to be attended) by the individual in-  
21 volved is a school whose graduates include a significant  
22 number of health professionals who are serving in rural  
23 areas.”.

24 (b) LOAN REPAYMENT PROGRAM.—Section 338B(d)  
25 of the Public Health Service Act (42 U.S.C. 2541-1(d))  
26 is amended—

1 (1) in paragraph (2), in the matter preceding  
2 subparagraph (A), by inserting “, subject to para-  
3 graph (3),” after “shall”; and

4 (2) by adding at the end the following para-  
5 graph:

6 “(3)(A) Of individuals receiving priority under para-  
7 graph (2)(B), the Secretary shall give further priority to  
8 any individual who has resided in a rural area for a signifi-  
9 cant number of years and who has characteristics indicat-  
10 ing the individual will, after the period of obligated service,  
11 serve in a rural health professional shortage area.

12 “(B) Factors considered by the Secretary in deter-  
13 mining priorities for purposes of subparagraph (A) may  
14 include consideration of whether the health professions  
15 school attended by the individual involved is a school  
16 whose graduates include a significant number of health  
17 professionals who are serving in rural areas.”.

18 **PART 3—LOW-INTEREST LOANS REGARDING OB-**  
19 **LIGATED SERVICE IN UNDERSERVED RURAL**  
20 **AREAS**

21 **SEC. 221. ESTABLISHMENT OF PROGRAM OF LOANS.**

22 Subpart III of part D of title III of the Public Health  
23 Service Act (42 U.S.C. 254l et seq.) is amended by adding  
24 at the end the following section:

1 **“SEC. 338M. LOAN FUND REGARDING OBLIGATED SERVICE**  
2 **IN UNDERSERVED RURAL AREAS.**

3 “(a) ESTABLISHMENT OF RURAL PRIMARY HEALTH  
4 CARE FUND.—There is established in the Treasury of the  
5 United States a fund to be known as the Rural Primary  
6 Health Care Fund (in this section referred to as the  
7 ‘Fund’). The Fund shall consist of such amounts as may  
8 be appropriated under subsection (f) (and such amounts  
9 as may be appropriated in subsections (d) and (e)(3)).  
10 Amounts appropriated to the Fund are available until ex-  
11 pended.

12 “(b) EXPENDITURES FROM FUND.—Amounts in the  
13 Fund are available to the Secretary for the purpose of car-  
14 rying out subsection (c), subject to the extent of amounts  
15 made available in advance in appropriations Acts.

16 “(c) LOW-INTEREST LOANS FOR ATTENDANCE AT  
17 HEALTH PROFESSIONS SCHOOLS; OBLIGATED SERVICE  
18 REGARDING UNDERSERVED RURAL AREAS.—

19 “(1) IN GENERAL.—

20 “(A) Subject to the provisions of this sub-  
21 section, the Secretary may, from amounts avail-  
22 able under subsection (b), make loans to assist  
23 individuals with the costs of attending health  
24 professions schools if the individuals agree to  
25 provide primary health services in an under-  
26 served rural area.

1           “(B) For purposes of this subsection, the  
2           term ‘underserved rural area’ means a rural  
3           area with a shortage of personal health services,  
4           except that such term does not include any  
5           health professional shortage area.

6           “(C) The Secretary shall issue criteria for  
7           determining whether an area is an underserved  
8           rural area.

9           “(2) CERTAIN REQUIREMENTS.—The Secretary  
10          may make a loan under paragraph (1) to an individ-  
11          ual only if the following conditions are met:

12                 “(A) The individual is enrolled (or accept-  
13                 ed for enrollment) as a full-time student in a  
14                 course of study or program leading to a degree  
15                 in medicine, osteopathic medicine, dentistry, or  
16                 other health profession, and such course or pro-  
17                 gram is offered by an accredited educational in-  
18                 stitution (as determined by the Secretary) and  
19                 is approved by the Secretary.

20                 “(B) The individual is eligible for, or  
21                 holds, an appointment as a commissioned offi-  
22                 cer in the Regular or Reserve Corps of the  
23                 Service or is eligible for selection for civilian  
24                 service in the Corps.

1           “(C) The individual and the Secretary  
2           enter into the contract described in paragraph  
3           (3).

4           “(3) LOAN CONTRACT.—For purposes of para-  
5           graph (2)(C), the contract described in this para-  
6           graph is a written contract containing provisions as  
7           follows:

8           “(A) The Secretary agrees to provide the  
9           individual involved with loans under paragraph  
10          (1) for a number of academic years (not to ex-  
11          ceed 4 academic years) determined by the indi-  
12          vidual, during which period the individual is  
13          pursuing a course of study or program de-  
14          scribed in paragraph (2)(A).

15          “(B) The Secretary agrees to accept the  
16          individual into the Corps (or for equivalent  
17          service as otherwise provided in this subpart),  
18          subject to the availability of funds for carrying  
19          out sections 331 through 335.

20          “(C) The individual agrees as follows:

21                  “(i) To accept the loan.

22                  “(ii) To maintain enrollment in the  
23                  course or program involved until the indi-  
24                  vidual completes the course or program.

1           “(iii) While enrolled in the course or  
2           program, to maintain an acceptable level of  
3           academic standing (as determined under  
4           regulations of the Secretary by the edu-  
5           cational institution offering the course or  
6           program).

7           “(iv) To provide obligated service for  
8           purposes of paragraph (5).

9           “(v) To other provisions of this sub-  
10          section that are applicable to the individ-  
11          ual, including paragraph (8) (relating to  
12          the breach of the obligations of the individ-  
13          ual under this subsection).

14          “(D) A provision specifying the purposes  
15          for which the loan will be expended, subject to  
16          paragraph (6)(A), and the amount to be ex-  
17          pended for each of the purposes.

18          “(E) A provision that any financial obliga-  
19          tion of the United States arising out of the con-  
20          tract, and any obligation of the individual under  
21          the contract, is contingent upon funds being  
22          available under subsection (b) for loans under  
23          paragraph (1) and upon funds being available  
24          to carry out the purposes of sections 331  
25          through 335.

1           “(4) AMOUNT OF LOAN; INTEREST RATE.—The  
2 amount of a loan under paragraph (1) for an aca-  
3 demic year may not exceed \$35,000. The rate of in-  
4 terest on the unpaid principal balance of such a loan  
5 may not exceed 4 percent annually, and may not be  
6 less than 2 percent annually.

7           “(5) PERIOD OF OBLIGATED SERVICE.—For  
8 purposes of paragraph (3)(C)(iv), the obligated serv-  
9 ice of an individual is as follows:

10                   “(A) The service to be provided is the pro-  
11 vision of primary health services.

12                   “(B) The service is to be provided in an  
13 underserved rural area to which the individual  
14 is assigned pursuant to paragraph (10).

15                   “(C) The period of service is the greater of  
16 the following periods:

17                           “(i) 1 year.

18                           “(ii) 1 year for each 2 academic years  
19 for which loans under paragraph (1) are  
20 provided to the individual.

21                           “(iii) 1 year for each \$35,000 pro-  
22 vided in such loans to the individual.

23           “(6) EXPENDITURE OF LOAN.—

1           “(A) A loan under paragraph (1) to an in-  
2           dividual may be expended only for the following  
3           purposes:

4                   “(i) The tuition of the individual for  
5                   the course or program involved for the aca-  
6                   demic year involved.

7                   “(ii) Any other reasonable educational  
8                   expense, including fees, books, and labora-  
9                   tory expenses, incurred by the individual in  
10                  the academic year.

11                  “(iii) Reasonable living expenses in-  
12                  curred in attending the educational institu-  
13                  tion involved, not to exceed the amount in  
14                  effect under section 338A(g)(1)(B) for sti-  
15                  pends.

16           “(B) In the case of an educational institu-  
17           tion offering a course or program for which a  
18           loan under paragraph (1) is made, the Sec-  
19           retary may contract with the institution to  
20           make payments to the institution of the  
21           amounts provided for the purposes specified in  
22           clauses (i) and (ii) of subparagraph (A). The  
23           payments may be made to the institution with-  
24           out regard to section 3648 of the Revised Stat-  
25           utes (31 U.S.C. 529).

1           “(7) REPAYMENT OF LOAN; DEFERMENTS.—  
2           The provisions of subparagraphs (B) and (C) of sec-  
3           tion 705(a)(2) apply to loans under paragraph (1) to  
4           the same extent and in the same manner as such  
5           provisions apply to loans under subpart I of part A  
6           of title VII.

7           “(8) BREACH OF LOAN CONTRACT.—With re-  
8           spect to an individual who has entered into a written  
9           contract under paragraph (3) and who breaches the  
10          contract, an agreement under paragraph (3)(C)(v) is  
11          as follows:

12                 “(A) If, for any reason other than a reason  
13                 specified in subparagraph (B), the individual  
14                 fails to provide obligated service under para-  
15                 graph (5)—

16                         “(i) the balance due on the loan in-  
17                         volved will be immediately recomputed  
18                         from the date of issuance at an interest  
19                         rate of 12 percent per year, compounded  
20                         annually; and

21                         “(ii) the recomputed balance will be  
22                         paid not later than the expiration of the 3-  
23                         year period beginning on the date on which  
24                         the individual breaches the contract.

1           “(B) The individual is liable to the United  
2 States for the amount which has been paid to  
3 or on behalf of the individual under paragraph  
4 (1) if the individual—

5                   “(i) fails to maintain an acceptable  
6 level of academic standing for purposes of  
7 paragraph (3)(C)(iii);

8                   “(ii) is dismissed from the educational  
9 institution involved for disciplinary rea-  
10 sons;

11                   “(iii) voluntarily terminates the course  
12 or program involved before the completion  
13 of the course or program; or

14                   “(iv) fails to accept payment under  
15 the loan under paragraph (1), or instructs  
16 the educational institution not to accept  
17 payment, in whole or in part, of payments  
18 under the loan.

19           “(9) WAIVER OF OBLIGATIONS; LIMITATION RE-  
20 GARDING BANKRUPTCY.—

21           “(A) With respect to the obligation of an  
22 individual under a contract under paragraph  
23 (3), the Secretary shall provide for the partial  
24 or total waiver or suspension of the obligation  
25 whenever compliance by the individual is impos-

1           sible, or would involve extreme hardship to the  
2           individual, and if enforcement of the obligation  
3           with respect to the individual would be uncon-  
4           scionable.

5           “(B) An obligation of an individual under  
6           the contract under paragraph (3) to make pay-  
7           ments may be released by a discharge in bank-  
8           ruptcy under title 11, United States Code, only  
9           if such discharge is granted after the expiration  
10          of the 5-year period beginning on the first date  
11          that such payment is required (exclusive of any  
12          period in which the obligation to make pay-  
13          ments is suspended), and only if the bankruptcy  
14          court finds that nondischarge of the obligation  
15          would be unconscionable.

16          “(10) ASSIGNMENT OF CORPS PERSONNEL PUR-  
17          SUANT TO OBLIGATED SERVICE.—The provisions of  
18          section 333 apply to the obligated service of individ-  
19          uals under paragraph (5) with respect to under-  
20          served rural areas to the same extent and in the  
21          same manner as such provisions apply to the obli-  
22          gated service of individuals under section 338A with  
23          respect to health professional shortage areas.

24          “(11) PRIORITIES IN MAKING LOANS.—

1           “(A) In making loans under paragraph  
2           (1), the Secretary shall give priority to any in-  
3           dividual (if otherwise a qualified applicant) who  
4           has resided in a rural area for a significant  
5           number of years and who has characteristics in-  
6           dicating the individual will, after the period of  
7           obligated service under paragraph (5), continue  
8           to serve in an underserved rural area.

9           “(B) Factors considered by the Secretary  
10          in determining priorities for purposes of sub-  
11          paragraph (A) shall include consideration of  
12          whether the health professions school attended  
13          (or to be attended) by the individual involved is  
14          a school whose graduates include a significant  
15          number of health professionals who serve in  
16          rural areas.

17          “(12) MISCELLANEOUS PROVISIONS.—Individ-  
18          uals who have entered into written contracts with  
19          the Secretary under this subsection, while under-  
20          going academic training, shall not be counted  
21          against any employment ceiling affecting the De-  
22          partment of Health and Human Services.

23          “(d) AVAILABILITY OF REPAYMENTS.—Payments of  
24          principal and interest by (or on behalf of) recipients of

1 loans under subsection (c)(1) are hereby appropriated to  
2 the Fund.

3 “(e) INVESTMENT.—

4 “(1) IN GENERAL.—The Secretary of the  
5 Treasury shall invest such amounts of the Fund as  
6 such Secretary determines are not required to meet  
7 current withdrawals from the Fund. Such invest-  
8 ments may be made only in interest-bearing obliga-  
9 tions of the United States. For such purpose, such  
10 obligations may be acquired on original issue at the  
11 issue price, or by purchase of outstanding obliga-  
12 tions at the market price.

13 “(2) SALE OF OBLIGATIONS.—Any obligation  
14 acquired by the Fund may be sold by the Secretary  
15 of the Treasury at the market price.

16 “(3) AVAILABILITY OF INCOME.—Any interest  
17 derived from obligations acquired by the Fund, and  
18 proceeds from any sale or redemption of such obliga-  
19 tions, are hereby appropriated to the Fund.

20 “(f) AUTHORIZATION OF APPROPRIATIONS.—For the  
21 purpose of providing amounts for the Fund, there are au-  
22 thorized to be appropriated \$20,000,000 for fiscal year  
23 1995, and such sums as may be necessary for each of the  
24 fiscal years 1996 and 1997.”.

1           **Subtitle B—Other Programs**  
2           **Regarding Rural Health Care**

3   **SEC. 231. STATE OFFICES OF RURAL HEALTH.**

4           (a) REQUIREMENT REGARDING RECRUITMENT OF  
5   PHYSICIANS.—Section 338J(c) of the Public Health Serv-  
6   ice Act (42 U.S.C. 254r(c)) is amended—

7           (1) in paragraph (2), by striking “and” after  
8   the semicolon at the end;

9           (2) in paragraph (3), by striking the period and  
10   inserting “; and”; and

11          (3) by adding at the end the following para-  
12   graph:

13          “(4) activities to recruit and retain physicians  
14   to serve in rural areas of the State.”.

15          (b) AUTHORIZATIONS OF APPROPRIATIONS.—

16          (1) IN GENERAL.—Section 338J(j)(1) of the  
17   Public Health Service Act (42 U.S.C. 254r(j)(1)) is  
18   amended—

19           (A) by striking “and” after “1992,”; and

20           (B) by inserting before the period the fol-  
21   lowing: “, and \$1,500,000 for each of the fiscal  
22   years 1995 through 1998”.

23          (2) CONFORMING AMENDMENT.—Section  
24   338J(k) of the Public Health Service Act (42 U.S.C.

1 254r(k)) is amended by striking “\$10,000,000” and  
2 inserting “\$16,000,000”.

3 **SEC. 232. AREA HEALTH EDUCATION CENTER PROGRAMS;**  
4 **AUTHORIZATION OF APPROPRIATIONS.**

5 Section 746(i)(1) of the Public Health Service Act  
6 (42 U.S.C. 293j(i)(1) is amended—

7 (1) by striking “is authorized” and inserting  
8 “are authorized”;

9 (2) by striking “through 1995” and inserting  
10 “and 1994”; and

11 (3) by inserting before the period the following:  
12 “, and \$50,000,000 for each of the fiscal years 1995  
13 through 1997”.

14 **TITLE III—STATE HEALTH SERV-**  
15 **ICE CORPS DEMONSTRATION**  
16 **PROJECTS**

17 **SEC. 301. PURPOSE.**

18 It is the purpose of this title—

19 (1) to promote recruitment and training of  
20 physicians and other primary care providers from  
21 among the poor and from disadvantaged  
22 populations;

23 (2) to place physicians from health professional  
24 shortage areas into similar areas in order to encour-

1 age retention of physicians in health professional  
2 shortage areas; and

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

5 **SEC. 302. STATE HEALTH SERVICE CORPS DEMONSTRATION PROJECTS.**  
6

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

10 **“SEC. 338M. STATE HEALTH SERVICE CORPS DEMONSTRATION PROJECTS.**  
11

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

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

15 “(A) a cooperative program of one or more  
16 medical schools (or the parent institutions of  
17 such schools) and one or more nonprofit private  
18 or public area health education centers; or

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

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

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

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

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

11           “(6) PARENT INSTITUTION.—The term ‘parent  
12 institution’ means any health sciences university  
13 housing a medical school and one or more other  
14 health professions schools.

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

17                   “(A) a physician specializing in general  
18 practice, family medicine, general internal medi-  
19 cine, pediatrics, obstetrics and gynecology, gen-  
20 eral surgery, psychiatry, preventive medicine  
21 and public health, or physiatry; or

22                   “(B) a dentist.

23           “(8) PROJECT.—The term ‘Project’ means a  
24 State Health Service Corps Demonstration Project  
25 established under subsection (b).

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

3           “(b) GRANTS.—The Secretary shall establish a State  
4 Health Service Corps Demonstration Project under which  
5 the Secretary shall make grants to up to 10 States to pay  
6 for the Federal share of the costs of conducting Projects  
7 for the training and employment of eligible participants  
8 as physician and nonphysician providers serving health  
9 professional shortage areas.

10          “(c) STATE PARTICIPATION.—

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

14           “(A) enter into an agreement with an area  
15 health education center to administer the  
16 Project in accordance with subsection (d);

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

19           “(C) establish a State Health Service  
20 Corps Scholarship Program in accordance with  
21 section 338N; and

22           “(D) meet such other requirements as the  
23 Secretary may establish for the proper and effi-  
24 cient implementation of the Project.

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

6           “(3) APPLICATION.—To be eligible to receive a  
7           grant under this section, the State shall submit an  
8           application at such time, in such manner and con-  
9           taining such agreements, assurances, and informa-  
10          tion as the Secretary determines to be necessary to  
11          carry out this section. At a minimum, the applica-  
12          tion shall contain—

13                 “(A) information specifying the actions the  
14                 State will take against individuals, and the  
15                 methods the State will use to recover all funds  
16                 paid under section 338N(i) to individuals, who  
17                 breach contracts described in section 338N(g);  
18                 and

19                 “(B) assurances that the State will reim-  
20                 burse the Secretary for all funds recovered from  
21                 individuals who breach contracts described in  
22                 section 338N(g).

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

1       “(d) STATE AGREEMENTS WITH AREA HEALTH  
2 EDUCATION CENTERS.—

3           “(1) IN GENERAL.—To be eligible for a grant  
4 under this section, a State shall enter into an agree-  
5 ment with an area health education center for the  
6 planning, development, and operation of a program  
7 to train and employ eligible participants as physician  
8 and nonphysician providers.

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

12           “(A) designate a health professional short-  
13 age area or areas as the service area for the  
14 area health education center;

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

17           “(C) assess the health professional needs  
18 of the service area and assist in the planning  
19 and development of training programs to meet  
20 the needs;

21           “(D) provide for or conduct a rotating in-  
22 ternship or residency training program in the  
23 service area;

1           “(E) provide opportunities for continuing  
2 education to physician and nonphysician provid-  
3 ers practicing within the service area;

4           “(F) conduct interdisciplinary training and  
5 practice involving physician and nonphysician  
6 providers in the service area;

7           “(G) arrange and support educational op-  
8 portunities for students studying to become  
9 physician or nonphysician providers at health  
10 facilities, ambulatory care centers, and health  
11 agencies throughout the service area;

12           “(H) provide for the active participation in  
13 the Project by individuals who are associated  
14 with the administration of the sponsoring  
15 health professions and each of the departments  
16 or specialties of physician or nonphysician pro-  
17 viders (if any) which are offered under the  
18 Project; and

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

23           “(e) EVALUATION.—Not later than March 30, 1998,  
24 and March 30, 2002, each State receiving a grant under

1 this section shall, through grants to or contracts with pub-  
2 lic and private entities, provide for—

3 “(1) an evaluation of Projects—

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

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

9 “(2) a review of the area health education cen-  
10 ter providing services under the Projects. The eval-  
11 uation shall include an evaluation of the effective-  
12 ness of the Projects in increasing the recruitment  
13 and retention of physician and nonphysician provid-  
14 ers in health professional shortage areas.

15 “(f) FEDERAL SHARE.—The Federal share of the  
16 costs of any program established under this section with  
17 respect to any State shall be the percentage of such costs  
18 equal to the Federal medical assistance percentage appli-  
19 cable to such State under section 1905(b) of the Social  
20 Security Act. The State may include as a part or all of  
21 the non-Federal share of grants—

22 “(1) any State funds supporting area health  
23 education centers, and

24 “(2) the value of in-kind contributions made by  
25 the State, including tuition remission and other ben-

1       efits for students participating in the State Health  
2       Service Corps Scholarship Program established  
3       under section 338N.

4       “(g) AUTHORIZATION OF APPROPRIATIONS.—

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

9                       “(A) \$250,000, multiplied by

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

12       Any amount appropriated under this section shall be  
13       available without fiscal year limitation.

14               “(2) COST RECOVERY.—No more than 10 per-  
15       cent of the funds spent under paragraph (1) may be  
16       used for purposes of recovering funds or taking  
17       other action against individuals who breach the pro-  
18       visions of a contract entered into under section  
19       338N(g).

20       **“SEC. 338N. STATE HEALTH SERVICE CORPS SCHOLARSHIP**  
21                       **PROGRAMS.**

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

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

1           “(A) a cooperative program of one or more  
2           medical schools (or the parent institutions (as  
3           defined in section 338M(a)(6)) of such schools)  
4           and one or more nonprofit private or public  
5           area health education centers; or

6           “(B) a regional or statewide network of  
7           the cooperative programs described in subpara-  
8           graph (A).

9           “(2) GRADUATE EDUCATION.—The term ‘grad-  
10          uate education’ means a course of study at a medi-  
11          cal school or other health professions school leading  
12          to a degree in a field practiced by a physician or  
13          nonphysician provider.

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

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

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

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

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

6                   “(A) a physician specializing in family  
7                   medicine, general internal medicine, pediatrics,  
8                   obstetrics and gynecology, general surgery, psy-  
9                   chiatry, preventive medicine, or psychiatry; or

10                   “(B) a dentist.

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

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

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

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

1 “(b) ESTABLISHMENT.—

2 “(1) IN GENERAL.—Each State carrying out a  
3 State Health Services Corps Demonstration Project  
4 established under section 338M shall establish a  
5 State Health Service Corps Scholarship Program, in  
6 accordance with this section, to ensure an adequate  
7 supply of trained physician or nonphysician provid-  
8 ers in health professional shortage areas in the  
9 State.

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

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

16 “(1)(A) be accepted for enrollment, or be en-  
17 rolled, as a full-time student in a health professions  
18 program in a health sciences university or a 4-year  
19 college; or

20 “(B) be accepted to participate in, or be partici-  
21 pating in, a professional internship or residency as  
22 preparation to become a physician or nonphysician  
23 provider;

24 “(2) reside within a health professional short-  
25 age area;

1           “(3) submit an application to participate in the  
2 Program; and

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

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

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

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

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

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

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

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

3           “(e) INFORMATION ON SERVICE OBLIGATION.—In  
4           disseminating application forms and contract forms to in-  
5           dividuals desiring to participate in the Program, the State  
6           official shall include with the forms—

7           “(1) a fair summary of the rights and liabilities  
8           of an individual whose application is approved (and  
9           whose contract is accepted) by the State official, in-  
10          cluding in the summary a clear explanation of the  
11          remedies to which the State is entitled in the case  
12          of breach of the contract by the individual; and

13          “(2) such information as may be necessary for  
14          the individual to understand the prospective partici-  
15          pation of the individual in the Program and the  
16          service obligation of the individual.

17          “(f) APPLICATION FORMS.—The application form,  
18          contract form, and all other information furnished by the  
19          Secretary under this section shall be written in a manner  
20          calculated to be understood by the average individual ap-  
21          plying to participate in the Program. The State official  
22          shall make the application forms, contract forms, and  
23          other information available to individuals desiring to par-  
24          ticipate in the Program on a date sufficiently early to en-

1 sure that the individuals have adequate time to carefully  
2 review and evaluate the forms and information.

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

5 “(1) a statement that the State official  
6 agrees—

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

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

12 “(ii) pursuing graduate education; or

13 “(iii) participating in an internship or  
14 residency program as preparation to be-  
15 come a physician or nonphysician provider;  
16 and

17 “(B) to place the individual into obligated  
18 service, taking into account the specialization of  
19 the individual and the needs of health profes-  
20 sional shortage areas for service, in—

21 “(i) a rural health professional short-  
22 age area, if the individual resided in a  
23 rural health professional shortage area at  
24 the time of acceptance into the Program;  
25 or

1           “(ii) an urban health professional  
2 shortage area, if the individual resided in  
3 an urban health professional shortage area  
4 at the time of acceptance into the  
5 Program;

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

7           “(A) to accept provision of the scholarship,  
8 and if appropriate, loans, to the individual;

9           “(B) to maintain enrollment in a program  
10 of undergraduate or graduate education or par-  
11 ticipation in an internship or residency de-  
12 scribed in subsection (c)(1)(B) until the individ-  
13 ual completes the program, internship, or resi-  
14 dency;

15           “(C) while enrolled in a program of under-  
16 graduate or graduate education, to maintain an  
17 acceptable level of academic standing (as deter-  
18 mined under regulations of the State by the  
19 educational institution offering the course of  
20 study); and

21           “(D) to serve in the service area or on the  
22 clinical staff of the area health education center  
23 or the medical school for a time period equal to  
24 the shorter of—

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

4           “(II) 1 month for each \$1,000 in  
5           loans that the individual received under the  
6           Program; or

7           “(ii) 6 years;

8           “(3) a statement of the damages to which the  
9           State is entitled for breach of contract by the indi-  
10          vidual; and

11          “(4) other statements of the rights and liabil-  
12          ities of the State and of the individual, not inconsis-  
13          tent with this section.

14          “(h) ACCEPTANCE.—

15                 “(1) APPROVAL.—An individual shall become a  
16                 participant in the Program only on approval by the  
17                 State official of the application submitted by the in-  
18                 dividual under subsection (c)(3) and acceptance of  
19                 the contract submitted by the individual under sub-  
20                 section (c)(4).

21                 “(2) NOTIFICATION.—The State official shall  
22                 provide written notice to an individual of participa-  
23                 tion in the Program promptly on acceptance of the  
24                 individual into the Program.

25          “(i) SCHOLARSHIP AND LOANS.—

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

5                   “(A) to an individual undertaking a pro-  
6                   gram of undergraduate or graduate education,  
7                   or on behalf of the individual in accordance  
8                   with paragraph (2)—

9                           “(i) the amount of the tuition of the  
10                           individual in the school year;

11                           “(ii) the amount of all other reason-  
12                           able educational expenses, including fees,  
13                           books, and laboratory expenses, incurred  
14                           by the individual in the school year; and

15                           “(iii) a stipend; and

16                   “(B) to an individual described in sub-  
17                   section (c)(1)(B)—

18                           “(i) the amount of expenses for medi-  
19                           cal equipment necessary to the practice of  
20                           a physician or nonphysician provider;

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

23                           “(iii) a stipend.

24           “(2) PAYMENT TO AN EDUCATIONAL INSTITU-  
25           TION.—The State official may contract with an edu-

1 cational institution, in which a participant in the  
2 Program is enrolled, for the payment to the edu-  
3 cational institution of the amounts of tuition and  
4 other reasonable educational expenses described in  
5 clauses (i) and (ii) of paragraph (1)(A).

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

8 “(1) the number, and type of health profession  
9 training, of students receiving scholarships under  
10 the Program in the preceding year;

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

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

16 “(4) the amount of tuition paid in the aggre-  
17 gate and at each educational institution for the  
18 school year in the preceding year and in prior school  
19 years.”.

1 **TITLE IV—TREATMENT OF STU-**  
2 **DENT LOANS FOR HEALTH**  
3 **PROFESSIONALS**

4 **SEC. 401. LOANS UNDER HIGHER EDUCATION ACT OF 1965;**  
5 **DEFERMENTS REGARDING POSTGRADUATE**  
6 **PRIMARY-CARE PROGRAMS IN UNDER-**  
7 **SERVED RURAL AREAS.**

8 (a) STAFFORD LOANS.—

9 (1) GSL LOANS.—Section 428(b)(1)(M) of the  
10 Higher Education Act of 1965 (20 U.S.C.  
11 1078(b)(1)(M)) is amended—

12 (A) in clause (ii), by striking “or” at the  
13 end;

14 (B) in clause (iii), by adding “or” after the  
15 semicolon at the end; and

16 (C) by adding at the end the following  
17 clause:

18 “(iv) during which the borrower is  
19 serving in an internship or residency pro-  
20 gram, in a health facility in a rural area,  
21 in preparation for practice in an area of  
22 primary care (including internal medicine,  
23 pediatrics, obstetrics/gynecology, family  
24 medicine, and osteopathy);”.

1           (2) FISL LOANS.—Section 427(a)(2)(C) of the  
2 Higher Education Act of 1965 (20 U.S.C.  
3 1077(a)(2)(C)) is amended—

4           (A) in clause (ii), by striking “or” at the  
5 end;

6           (B) in clause (iii), by adding “or” after the  
7 semicolon at the end; and

8           (C) by inserting after clause (iii) the fol-  
9 lowing clause:

10                   “(iv) during which the borrower is  
11 serving in an internship or residency pro-  
12 gram, in a health facility in a rural area,  
13 in preparation for practice in an area of  
14 primary care (including internal medicine,  
15 pediatrics, obstetrics/gynecology, family  
16 medicine, and osteopathy);”.

17       (b) PERKINS LOANS.—Section 464(c)(2)(A) of the  
18 Higher Education Act of 1965 (20 U.S.C.  
19 1087dd(c)(2)(A)) is amended—

20           (1) in clause (iii), by striking “or” at the end;

21           (2) in clause (iv), by adding “or” after the  
22 semicolon at the end; and

23           (3) by inserting after clause (iv) the following  
24 clause:

1                   “(v) during which the borrower is  
2                   serving in an internship or residency pro-  
3                   gram, in a health facility in a rural area,  
4                   in preparation for practice in an area of  
5                   primary care (including internal medicine,  
6                   pediatrics, obstetrics/gynecology, family  
7                   medicine, and osteopathy);”.

8           (c) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply on and after the date of the enact-  
10 ment of this Act with respect to loans made under the  
11 Higher Education Act of 1965 before, on, or after such  
12 date.

○

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