

SENATE, No. 88

STATE OF NEW JERSEY 216th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2014 SESSION

Sponsored by:

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District 30 (Monmouth and Ocean)

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District 19 (Middlesex)

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SYNOPSIS

Provides loan redemption for certain physicians who work in State 10 years.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel



1 **AN ACT** concerning loan redemption for certain physicians, and
2 amending and supplementing chapter 71C of Title 18A of the
3 New Jersey Statutes.

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

7
8 1. There is established a Physician Loan Redemption Program
9 within the Higher Education Student Assistance Authority to
10 provide for the redemption of eligible qualifying loan expenses of
11 program participants who work in the State for ten years of service
12 at an approved site in the State.

13
14 2. As used in this act:

15 "Approved site" means a site located within a State designated
16 underserved area or a health professional shortage area, or a site
17 that has been determined by the Higher Education Student
18 Assistance Authority, in consultation with the Department of Health
19 and Senior Services, to serve medically underserved populations
20 according to criteria determined by the authority, including, but not
21 limited to, the percentage of medically underserved patients served.

22 "Authority" means the Higher Education Student Assistance
23 Authority.

24 "Eligible qualifying loan expenses" means the cumulative
25 outstanding balance of student loans covering the cost of attendance
26 at undergraduate and graduate institutions of medical professional
27 education at the time an applicant is selected for the program.
28 Interest paid or due on qualifying loans that an applicant has taken
29 out for use in paying the costs of undergraduate and graduate
30 medical care professional education shall be considered eligible for
31 reimbursement under the program. The total amount of qualifying
32 loans which may be redeemed for participants under the program
33 shall not exceed the maximum amount authorized by the federal
34 government, either in State funds or the sum of federal, State, and
35 other non-federal matching funds, pursuant to section 338I of the
36 Public Health Service Act (42 U.S.C.s.254q-1), whichever is
37 applicable.

38 "Executive director" means the executive director of the Higher
39 Education Student Assistance Authority.

40 "Physician" means a State-licensed professional who has
41 obtained a degree in allopathic or osteopathic medicine.

42 "Program" means the Physician Loan Redemption Program
43 established pursuant to this act.

44 "Program participant" means a physician who contracts with the
45 authority to engage in the clinical practice of primary care or in the
46 clinical practice of specialized care, if the specialty is projected to
47 experience a significant shortage, at an approved site in exchange
48 for the redemption of eligible qualifying loan expenses provided

1 under the program.

2 "Projected physician specialty shortage" means those medical
3 specialties for which a shortage of practitioners in New Jersey is
4 projected by the Advisory Graduate Medical Education Council, in
5 consultation with the New Jersey Council of Teaching Hospitals,
6 pursuant to this act.

7 "Qualifying loan" means a government or commercial loan for
8 the actual costs paid for tuition and reasonable education and living
9 expenses relating to the obtaining of a degree in allopathic or
10 osteopathic medicine.

11 "State designated underserved area" means a geographic area in
12 this State which has been ranked by the Commissioner of Health
13 and Senior Services on the basis of health status and economic
14 indicators as reflecting a physician shortage pursuant to
15 N.J.S.18A:71C-35, and which has a projected physician specialty
16 shortage.

17 "Total and permanent disability" means a physical or mental
18 disability that is expected to continue indefinitely or result in death
19 and renders a participant in the program unable to perform that
20 person's service obligation, as determined by the executive director
21 or his designee.

22 "Undergraduate medical education" means the period of time
23 between entry into medical school and the award of a degree in
24 allopathic or osteopathic medicine.

25

26 3. To be eligible to participate in the program, an applicant
27 shall:

28 a. be a resident of the State;

29 b. be a graduate of a medical school approved by the State
30 Board of Medical Examiners for the purpose of licensure and
31 receive a recommendation from the school's medical staff
32 concerning participation in the loan redemption program;

33 c. have completed an accredited residency training program
34 and received a recommendation from the director of the training
35 program concerning participation in the loan redemption program;
36 and

37 d. agree to practice at an approved site under the terms and
38 conditions provided in section 4 of this act.

39

40 4. a. In administering the program, the authority or its
41 designated agent shall contract only with a physician.

42 b. The contract shall require a program participant to:

43 (1) serve at least a 10-year period at an approved site in the full-
44 time clinical practice of primary care or specialized care;

45 (2) charge for professional services at the usual and customary
46 rate prevailing in the area in which the approved site is located, but
47 allow a patient who is unable to pay that charge to pay at a reduced
48 rate or receive care at no charge;

1 (3) not discriminate against any patient in the provision of
2 health care services on the basis of that person's ability to pay or
3 source of payment; and

4 (4) agree not to impose any charge in excess of the limiting fee
5 for a service, as determined by the United States Secretary of
6 Health and Human Services, to a recipient of benefits under the
7 federal Medicare program established pursuant to Pub.L.89-97 (42
8 U.S.C.s.1395 et seq.).

9 c. The contract shall also specify the applicant's dates of
10 required service and the total amount of eligible qualifying loan
11 expenses to be redeemed by the State in return for service, and
12 stipulate that the applicant has knowledge of and agrees to the six-
13 month probationary period required prior to final acceptance into
14 the program pursuant to section 6 of this act.

15
16 5. Maximum redemption of a loan under the loan redemption
17 program shall be 100% of the eligible qualifying loan expenses,
18 subject to the maximum amount authorized by the federal
19 government pursuant to section 338I of the Public Health Service
20 Act (42 U.S.C.s.254q-1), in return for 10 years of service, to be
21 reimbursed as follows:

- 22 a. first year of service, 5% of principal and interest;
23 b. second year of service, 5% of principal and interest;
24 c. third year of service, 10% of principal and interest;
25 d. fourth year of service, 10% of principal and interest;
26 e. fifth year of service, 10% of principal and interest;
27 f. sixth year of service, 10% of principal and interest;
28 g. seventh year of service, 10% of principal and interest;
29 h. eighth year of service, 10% of principal and interest;
30 i. ninth year of service, 10% of principal and interest; and
31 j. tenth year of service, 20% of principal and interest.

32 No amount of eligible qualifying loan expenses shall be
33 redeemed for services performed for less than a full year.

34
35 6. Each program participant shall serve a six-month
36 probationary period upon initial placement at an approved site.
37 During that period, the primary care or specialty staff, as
38 appropriate, of the approved site, together with the program
39 participant and the executive director or his designee, shall evaluate
40 the suitability of the placement for the program participant. At the
41 end of the probationary period, the primary care or specialty staff
42 shall recommend the continuation of the program participant's
43 present placement, a change in placement, or its determination that
44 the program participant is an unsuitable candidate for the program.
45 If the primary care or specialty staff of the approved site
46 recommends a change in placement, the executive director or a
47 designee shall approve an alternate placement at an approved site.
48 If the primary care or specialty staff determines that the program

1 participant is not a suitable candidate for the program, the executive
2 director or his designee shall take this recommendation into
3 consideration in regard to the program participant's final acceptance
4 into the program. No loan redemption payment shall be made
5 during the six-month probationary period; however, a program
6 participant shall receive credit for the six-month period in
7 calculating the first year of required service under the loan
8 redemption contract.

9
10 7. The executive director or his designee, in consultation with
11 the Commissioner of Health and Senior Services, shall match
12 program participants to State designated underserved areas.

13
14 8. The executive director or his designee shall select the
15 program participants from among those applicants who meet the
16 eligibility criteria established pursuant to section 3 of this act,
17 subject to available funds and available approved sites. In the event
18 that there are insufficient funds or approved sites to select all of the
19 applicants who meet the eligibility criteria, the executive director or
20 his designee shall accord priority to applicants in the following
21 manner:

22 a. first, to any applicant who is closest to completing the loan
23 redemption contract;

24 b. second, to any applicant according to the severity of the
25 physician shortage in the area or specialty selected by the applicant;
26 and

27 c. third, to any applicant whose residence in the State at the
28 time of entry into postsecondary education was within a State
29 designated underserved area.

30 In the event that there are more applicants who have the same
31 priority than there are program positions, the executive director or
32 his designee shall select program participants by means of a lottery
33 or other form of random selection.

34
35 9. a. A program participant, as a condition of participation,
36 shall be required to adhere to performance standards established by
37 the executive director or his designee.

38 b. The standards shall include, but not be limited to,
39 requirements that a participant:

40 (1) maintain residency in the State;

41 (2) maintain a license or certification to practice medicine in the
42 State;

43 (3) remain current with payments on student loans;

44 (4) enter into a mutually acceptable contract with an approved
45 site;

46 (5) maintain satisfactory performance of services rendered at an
47 approved site; and

48 (6) report to the authority or its designee, on a form and in a

1 manner prescribed by the authority or its designee, on the program
2 participant's performance of services rendered at an approved site
3 prior to repayment of the annual amount eligible for redemption.
4

5 10. A program participant who has previously entered into a
6 contract with the authority may nullify the agreement by notifying
7 the authority in writing and reassuming full responsibility for the
8 remaining outstanding balance of the loan debt. In no event shall
9 service at an approved site for less than the full calendar year of
10 each period of service entitle the program participant to any benefits
11 under the program. A program participant seeking to nullify the
12 contract before completing the tenth full year of service shall be
13 required to pay 50% of the redeemed portion of indebtedness in not
14 more than one year following nullification of the agreement.
15

16 11. In case of a program participant's death or total and
17 permanent disability, the authority or its designee shall nullify the
18 service obligation of the program participant. The nullification
19 shall terminate the authority's obligations under the loan redemption
20 contract, except in the event that a program participant's death or
21 total and permanent disability occurs during the eighth year of
22 service, the authority shall not require repayment of the prior
23 redeemed portion of indebtedness. When continued enforcement of
24 the contract may result in extreme hardship, the authority or its
25 designee may nullify or suspend the service obligation of the
26 program participant.
27

28 12. A person who knowingly or willfully furnishes any false or
29 misleading information for the purpose of receiving loan
30 redemption benefits under the program is guilty of a crime of the
31 fourth degree.
32

33 13. a. The executive director or his designee is authorized to
34 terminate the program participant's service in the program in the
35 case of:

36 (1) a program participant's conviction of a crime or an act of
37 gross negligence in the performance of service obligations;

38 (2) suspension or revocation of the program participant's license
39 or certification to practice; or

40 (3) a program participant's breach of the performance standards
41 established pursuant to section 9 of this act.

42 b. A program participant who fails to repay an amount due the
43 authority under the program may be subject to actions initiated by
44 the authority or its designee, which may include, but are not limited
45 to, recovery of the amount due by an action brought in a court of
46 competent jurisdiction or through the offset of State tax refunds or
47 rebates, making this information available to credit reporting
48 agencies, and exclusion from eligibility for any student assistance

1 benefits administered by the authority, as well as action by the
2 federal government, to the extent that loan redemption benefits are
3 federally funded, to recover any amount due it as permitted by
4 federal law. In any action brought by the authority or its designee
5 in a court of competent jurisdiction pursuant to this subsection, the
6 program participant shall be liable for: the debt incurred, interest on
7 the debt at the maximum legal prevailing rate as determined by the
8 United States Treasurer, and the administrative and court costs
9 associated with collection of the debt.

10
11 14. A student who is participating in the federally administered
12 National Health Service Corps Loan Repayment Program, section
13 338B of the Public Health Service Act (42 U.S.C.s.254 1-1), or in
14 the Primary Care Practitioner Loan Redemption Program,
15 N.J.S.18A:71C-32 et seq., shall not be eligible to participate
16 simultaneously in the Physician Loan Redemption Program.

17
18 15. The executive director or his designee may, within the limits
19 of available funds and in accordance with eligibility criteria
20 determined by the executive director or his designee, make
21 payments in a reasonable amount, as determined by the executive
22 director or his designee, to reimburse a program participant for all
23 or part of any increased tax liability incurred by the participant,
24 pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1
25 et seq., which results from the redemption of eligible qualifying
26 loan expenses under the program.

27
28 16. This act shall take effect immediately, except that the Higher
29 Education Student Assistance Authority may take such anticipatory
30 administrative action in advance as shall be necessary for the
31 implementation of the act.

32 33 34 STATEMENT

35
36 This bill establishes a Physician Loan Redemption Program to
37 address the current and worsening physician shortage in this State.

38 The bill provides for redemption of qualifying loan expenses for
39 physicians in primary care or specialties that are projected to
40 experience a significant shortage in the State, if they work in the
41 State for 10 years at an approved site. The Advisory Graduate
42 Medical Education Council, in consultation with the New Jersey
43 Council of Teaching Hospitals, would determine which specialties
44 are projected to have a shortage. An "approved site" is defined as:
45 (1) a site located within a State designated underserved area, which
46 is a geographic area in the State ranked on the basis of health status
47 and economic indicators as reflecting a physician shortage and
48 which has a projected physician specialty shortage; (2) a site

1 located within a health professional shortage area, which is an
2 urban or rural area, a population group or a public or non-profit
3 private medical or dental facility or other public facility which the
4 Secretary of Health and Human Services determines has a health
5 professional shortage pursuant to federal law; or (3) a site
6 determined by the Higher Education Student Assistance Authority
7 (HESAA), in consultation with the Department of Health and
8 Senior Services, to serve medically underserved populations.

9 Program participants must be State residents, have graduated
10 from a medical school approved by the State Board of Medical
11 Examiners, and have completed an accredited residency training
12 program. Program participants must agree to practice in a full-time
13 clinical practice in the State for 10 years at an approved site in
14 designated underserved areas. In return for this commitment, the
15 participant's eligible qualifying loan expenses will be reimbursed,
16 subject to the maximum amount authorized by federal law, as
17 follows:

- 18 • first year of service, 5% of principal and interest;
- 19 • second year of service, 5% of principal and interest;
- 20 • third year of service, 10% of principal and interest;
- 21 • fourth year of service, 10% of principal and interest;
- 22 • fifth year of service, 10% of principal and interest;
- 23 • sixth year of service, 10% of principal and interest;
- 24 • seventh year of service, 10% of principal and interest;
- 25 • eighth year of service, 10% of principal and interest;
- 26 • ninth year of service, 10% of principal and interest; and
- 27 • tenth year of service, 20% of principal and interest.

28 A physician who is a participant in the National Health Service
29 Corps Loan Repayment Program, or in the State's Primary Care
30 Practitioner Loan Redemption Program, would not be eligible to
31 participate in the program established by this bill.