

Senate Ways and Means Committee
Monday, January 22, 2007

SB 24: Changes to the Kansas Medical Student Loan Program
Testimony in Favor Offered by the University of Kansas Medical Center

Conferee:

Michael Kennedy, M.D., Assistant Dean of Rural Health Education, McCann Professor in Rural Health, and Assistant Professor in Family Medicine

Testimony

Good morning, Mr. Chairman and distinguished members of the committee. Our Vice Dean, Dr. Glen Cox, was slated to speak to you, but unfortunately he fell ill over the weekend and is unable to be here. I am here in his place to testify in favor of Senate Bill 24, legislation that would make changes to the Kansas Medical Student Loan Program (KMSLP).

We at the University of Kansas Medical Center (KUMC) know this program is a success. Since the late 1970s, the Legislature has realized a need to provide incentives for physicians to practice in underserved areas. The KMSLP we know today was crafted in 1992, the year of the program's most recent revision. Data I cite today and that is in the appendix focuses on students and graduates from 1992 to the present. The legislation before us gives us an opportunity to revise the program again, make it more current, and hopefully increase the number of medical students who choose primary care specialties and provide health care to Kansans in underserved areas.

Although all medical students are eligible for the KMSLP, we give preference to students from rural Kansas counties who demonstrate financial need. The program currently provides tuition reimbursement and a \$1,500 monthly stipend. In return, the participant must complete his or her medical degree, enter and complete a primary care residency, and practice in an underserved area of Kansas for one year in exchange for each year of program participation. In other words, if a first-year medical student signs up and receives tuition reimbursement and monthly stipends during all four years of medical school, she or he must then serve for four years in an underserved area. When I say "primary care residency," I am referring to general pediatrics, general internal medicine, family medicine, or emergency medicine –the eligible specialties according to statute.

Other than fulfilling their obligation through service in underserved areas, the law gives participants four other ways to complete the service obligation:

- 1) Practicing at a Kansas state medical care facility or institution
- 2) Practicing in a Kansas Veterans' Administration facility
- 3) Becoming a full-time faculty member at the KU School of Medicine in a primary care discipline
- 4) Performing at least 100 hours per month of on-site primary care at a local health department or other non-profit organization that serves the medically indigent

If a participant does not fulfill the obligation through service in an underserved area or one of the other four ways listed above, he or she must repay all funds received from the KMSLP – both tuition and stipend dollars – within 10 years at 15 percent interest. Loan cancellation is done when a participant completes the service obligation, or if he or she dies or is unable to practice medicine due to a permanent physical disability.

Each year, the program makes up to 120 one-year loan contracts available. On average, 30 contracts are allocated to each of the four medical school classes. There are presently 109 students in the graduating classes of 2007-2010 working toward their M.D. degrees, meaning about 11 slots are currently unused. Since the inception of the KMSLP in the 1970s, more than 1,200 medical students have received assistance under the program. Since 1992, 438 students with obligations under the program have graduated.

KUMC and its School of Medicine, through the operations of the Kansas City and Wichita campuses, are committed to the mission of meeting the physician workforce needs of our state. Despite recent trends in residency selection by graduating medical students away from primary care specialties such as Family Medicine, our school continues to enjoy significant success in inspiring students to select primary care as a career. Recently, the American Academy of Family Physicians ranked the KU School of Medicine first in the nation for placing graduates in Family Medicine residencies. KU took first place in three ways: largest number of graduates, with 39 in the class of 2005; largest percentage of its graduates, at 22.8%; and highest three-year average of percentages of graduates – 21.1%. There is no doubt the KMSLP has been one of the factors contributing to our success.

I will briefly share with you some statistics on our retention rates, because I know having a large percentage of graduates entering primary care is not enough; we also want to keep them

in Kansas. Since 1992, we have had 438 KSMLP participants graduate. Of those, 178, or 40.6%, have fulfilled their obligations; 145, or 33.1%, have had their obligations “deferred” usually to allow them to complete their residencies in preparation for practice; 84, or 19.2%, are currently practicing in compliance with the terms of the program but have not yet completed their obligations; and 31, or 7.1%, are practicing out of compliance with the terms of their agreements and are repaying their loans. Funds garnered from repayment of these loans are put into the Kansas Medical Loan Repayment Fund, which is administered by KUMC and used solely to provide partial funding for new contracts.

Recently, KUMC collected data on those 178 physicians who have completed their obligations, so that we could study retention rates better. We were able to get good data on 165 of them. So, of those 165, two-thirds are still in practice in Kansas. About 65%, or 107 participants, fulfilled their obligation through service. This subset of 107 physicians is where the percentages get very impressive. 84% of those 107 physicians have maintained their practices in Kansas – often in or near the communities where they completed their service. To me, that says success. If you take a look at Appendix I, you will see two tables, as well as a map of our state with the counties color-coded to indicate how many KMSLP participants are located in each county.

Based on the success demonstrated so far, we can all agree the KSMLP is a good deal for the state, its medical students, and future physicians. As you consider this program, I would like you to keep in mind that both nationally and locally, medical student debt is rising. KU School of Medicine students now graduate with an average of \$100,000 in debt. At the same time, starting salaries of primary care physicians are lagging. It is a sad reflection on the way we as a society value health care services that some sub-specialists can earn \$250,000 or \$350,000 or more, while the average primary care physician makes \$125,000 to \$150,000.

The changes proposed in this legislation would make the KMSLP more attractive to medical students. As some of you may recall, my colleague Dr. Cox appeared before the Legislative Educational Planning Committee last fall to discuss this program. I am very grateful to that committee, and to you all, for increasing the stipend to \$2,000 and including an automatic increase tied to inflation. I know students will appreciate that. The cost of the initial increase is about \$585,000. The KMSLP is funded by three sources: general fund dollars, funds from the Kansas provider assessment, and reserve funds in the Kansas Medical Loan Repayment Fund.

Even with the additional cost of increasing the stipend, these three sources will be able to fund the program through fiscal year 2009, without requests for additional funds.

Also, the portion of this bill that allows KMSLP loans to be taken out retroactively is a very good addition. Most students do not know in their first – or even second – year what specialty they want to choose. The way the law is currently written, if students in their third year decide on primary care, they can only participate in the KMSLP for two years, and Kansans receive only two years of service from them. Allowing them to receive four years of KMSLP benefits helps the students pay off debts previously incurred and also gives Kansans four years of service from them, instead of two. The way I see it, everybody wins.

This program is critical in continuing to provide primary care physicians to our state's rural and urban core underserved areas. My colleagues and I, as well as our medical students, thank you for taking up SB 24, and we urge you to pass it in its current form.

Thank you again for allowing me to be here today. I would be happy to answer any questions you may have.

Appendix I

Table I: Satisfaction of KMSLP Obligations

Status	Number	Percent
Completed by service (Forgiven)	111*	62.4%
Paid in full	63	35.4%
Deceased	4	2.2%
TOTAL	178	100%

*Includes 2 physicians who met obligation through combined payment and service

Table II: Summary of Practice Locations

State	Completed by Service	Paid in Full	Total
KS	90	21	111
Not KS	17	37	54
TOTAL	107	58	165

*Total is 165, instead of the 178 in Table I, due to deaths and incomplete data

Distribution of KMSL Program Recipients That Completed their Obligation or are Active and In Compliance (1992-2006)

(Location from KS Board of Healing Arts license database - Sept 2006)

