

HEALTH MANPOWER AMENDMENTS OF 1977

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BEFORE THE

SUBCOMMITTEE ON

HEALTH AND THE ENVIRONMENT

OF THE

COMMITTEE ON

INTERSTATE AND FOREIGN COMMERCE

HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

FIRST SESSION

ON

H.R. 9280 and H.R. 8519

BILLS TO AMEND THE PUBLIC HEALTH SERVICE ACT TO
REQUIRE INCREASES IN THE ENROLLMENT OF THIRD-YEAR
MEDICAL STUDENTS AS A CONDITION TO MEDICAL SCHOOLS'
RECEIVING CAPITATION GRANTS UNDER SUCH ACT

SEPTEMBER 29, 1977

Serial No. 95-47



Printed for the use of the
Committee on Interstate and Foreign Commerce

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1977

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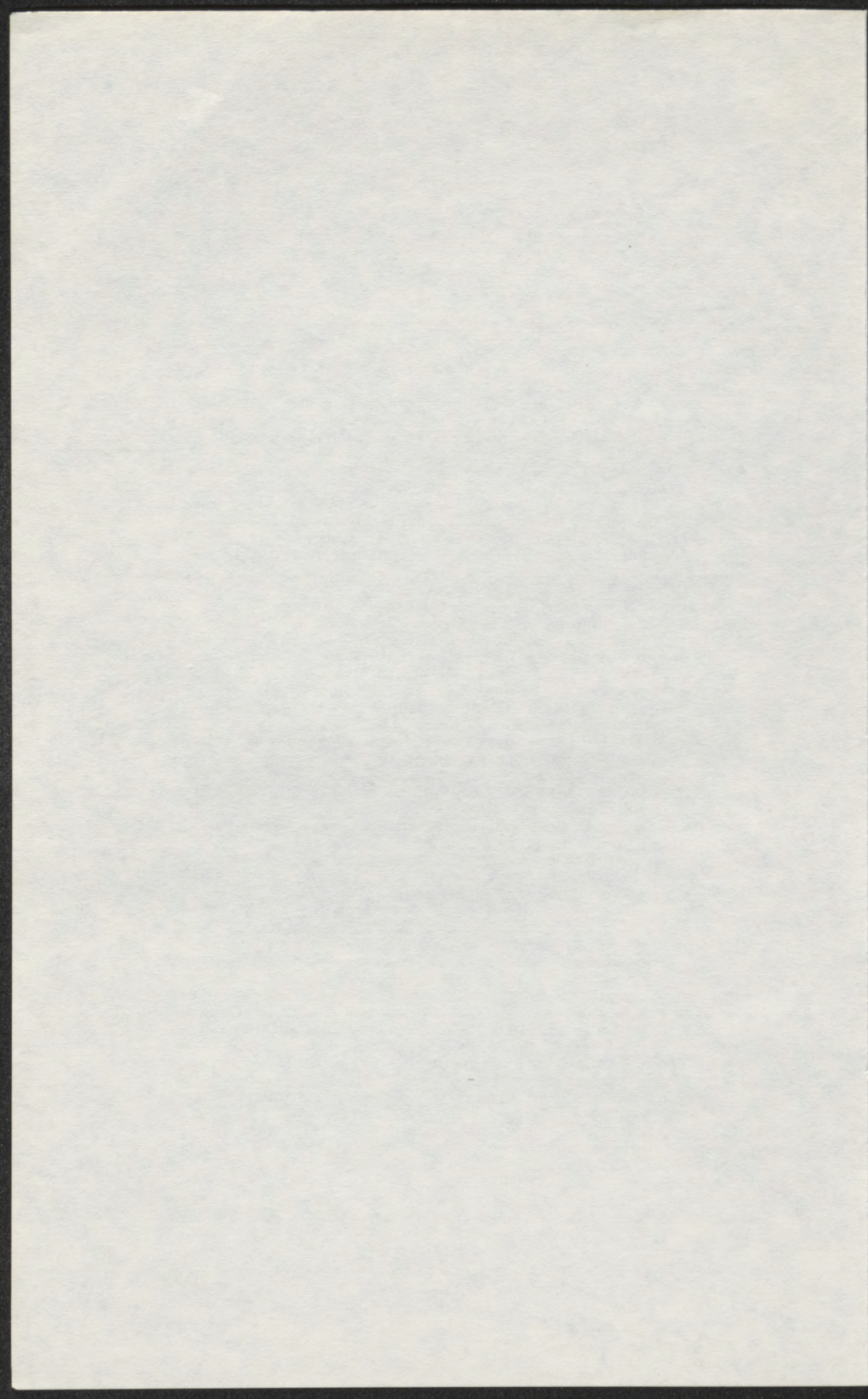
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HEALTH MANPOWER AMENDMENTS OF 1977

THURSDAY, SEPTEMBER 29, 1977

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT,
Washington, D.C.

The subcommittee met at 10:30 a.m., pursuant to notice, in room 2218, Rayburn House Office Building, Hon. Paul G. Rogers (chairman) presiding.

Mr. ROGERS. The subcommittee will come to order, please.

This morning the Subcommittee on Health and the Environment will hear testimony on the advisability of enacting legislation to amend the provision of the Health Professions Educational Assistance Act of 1976 which requires medical schools, in order to be eligible for capitation support, to reserve positions in their third-year classes for an identified pool of transfer students.

Under existing law, a number of positions equal to the number of U.S. citizens who have completed a 2-year special educational program in the United States or who had enrolled in foreign medical schools prior to October 12, 1976, had completed 2 years in such schools, and had passed part I of the National Board of Medical Examiners' examination is to be equitably apportioned amongst schools of medicine receiving capitation.

The legislation now pending before the subcommittee, H.R. 9280, would amend existing law to require schools of medicine, in order to be eligible for capitation, to increase their third-year enrollment by 6 percent. It would eliminate any overt reference to an identifiable pool of eligible students but would prohibit schools from counting non-U.S. citizens, transfer students from U.S. schools which have a place for such students in the third year, and U.S. citizens who enrolled in foreign schools after October 12, 1976, in order to meet the required increase.

The proposed legislation also contains minor amendments to the existing authorities under the Public Health Service Act for public health traineeships, the capitation requirement for schools of dentistry, and the guaranteed student loan program.

H.R. 9280 is intended to meet the objections of many schools of medicine that existing law in some way infringes on their academic freedom to select their own students. At the same time, the bill is designed to preserve a reasonable opportunity for U.S. citizens studying abroad to complete their medical education in the United States.

If the subcommittee determines during the markup session that will follow this hearing that it is advisable to act favorably on the proposed legislation, it is my intention to make every effort to see its enact-

ment before the end of this session of the Congress. In my view, whatever the decision of this subcommittee and the Congress with respect to the fate of this provision, it is essential that both medical schools and eligible transfer students know quickly and once and for all where they stand.

Without objection, the text of H.R. 9280 and H.R. 8519 will be printed at this point in the record.

[Testimony resumes on p. 15.]

[The text of H.R. 9280 and H.R. 8519 follow:]

95TH CONGRESS
1ST SESSION

H. R. 9280

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 23, 1977

MR. ROGERS (for himself, Mr. PREYER, Mr. SCHEUER, Mr. FLORIO, Mr. MARKEY, Mr. CARTER, and Mr. MADIGAN) introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce

A BILL

To amend the Public Health Service Act to require increases in the enrollment of third-year medical students as a condition to medical schools' receiving capitation grants under such Act.

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

3 That (a) section 771 (b) (3) of the Public Health Service
4 Act is amended to read as follows:

5 “(3) (A) Except as provided under subparagraph
6 (D), a school of medicine may not receive a grant under
7 section 770 to be made in the fiscal year ending Septem-
8 ber 30, 1978, or in the next fiscal year unless its applica-
9 tion for such grant contains or is supported by assurances

1 satisfactory to the Secretary that such school will increase
2 its enrollment of full-time, third-year students as prescribed
3 by subparagraph (B).

4 “(B) The enrollment increase referred to in subpara-
5 graph (A) is an enrollment increase in a school of
6 medicine—

7 “(i) which is to occur (I) in school year 1978-
8 1979 in the case of an application of such school for a
9 grant under section 770 to be made in the fiscal year
10 ending September 30, 1978, and (II) in school year
11 1979-1980 in the case of an application of such school
12 for a grant to be made under section 770 in the fiscal
13 year ending September 30, 1978.

14 “(ii) in the number of full-time, third-year students
15 over the number of full-time, second-year students en-
16 rolled in such school in the preceding school year, and

17 “(iii) which is not less than 6 per centum of the
18 number of—

19 “(I) full-time, first-year students enrolled in
20 such school in school year 1977-1978, or

21 “(II) full-time, third-year students enrolled
22 in such school in school year 1977-1978,

23 whichever is less.

24 “(C) In determining the number of full-time, third-year

1 students enrolled in a school in a school year in which an
2 increase is required by subparagraph (B) —

3 “(i) full-time, third-year students of such school
4 who were not second-year students in such school and—

5 “(I) who are not citizens of the United States,

6 “(II) who were previously enrolled in a school
7 of medicine to which the requirement of subpara-
8 graph (A) applies,

9 “(III) who were previously enrolled in a
10 school of medicine to which the requirement of sub-
11 paragraph (A) does not apply because of the last
12 sentence of subparagraph (D) and for whom a posi-
13 tion in the third-year class of such school was avail-
14 able in such school year, or

15 “(IV) who first enrolled after October 12,
16 1976, in a school of medicine not in a State,
17 shall not be counted, and

18 “(ii) full-time, second-year students enrolled in such
19 year who are citizens of the United States and who were
20 first enrolled before October 12, 1976, in a school of
21 medicine not in a State shall be counted as third-year
22 students.

23 “(D) The Secretary may waive (in whole or in part).

1 the requirement of subparagraph (A) for a school of
2 medicine—

3 “(i) if the Secretary determines, after receiving
4 the written recommendation of the appropriate accredita-
5 tion body or bodies (approved for such purpose by the
6 Commissioner of Education) that compliance by such
7 school with such requirement will prevent it from main-
8 taining its accreditation; or

9 “(ii) upon a finding that, because of the inadequate
10 size of the population served by the hospital or clinical
11 facility in which such school conducts its clinical training,
12 an increase in its enrollment of third-year students to
13 meet such requirement will prevent it from providing
14 high quality clinical training for each of its third-year
15 students.

16 The requirement of subparagraph (A) does not apply to the
17 application of a school of medicine for a grant under section
18 770 if in the school year ending in the fiscal year in which
19 such grant is to be made such school had an enrollment of
20 full-time, first-year students which exceeded its enrollment in
21 such school year of full-time, third-year students by at least
22 25 per centum.

23 “(E) A school of medicine which did not receive a grant
24 under section 770 because it did not comply with the applica-
25 ble requirements of this paragraph shall not be eligible to

1 receive a grant under such section to be made in the fiscal
2 year ending September 30, 1980.”.

3 SEC. 2. Section 771 (d) (2) of the Public Health Serv-
4 ice Act is amended (1) by striking out “In” and inserting
5 in lieu thereof “In the case of a school of dentistry which
6 in school year 1976-1977 had at least six filled positions
7 in dental specialty programs, in” and (2) by striking out
8 “a school of dentistry’s” and inserting in lieu thereof “such
9 a school’s”.

10 SEC. 3. (a) Subsection (a) of section 748 of the Public
11 Health Service Act is amended to read as follows:

12 “(a) The Secretary may make grants to—

13 “(1) accredited schools of public health, and

14 “(2) other public or nonprofit institutions which
15 provide graduate or specialized training in public health
16 and which are not eligible to receive a grant under
17 section 749,

18 to train students enrolled in such schools and institutions.”.

19 (b) Section 748 (b) (3) (B) of such Act is amended
20 (1) by striking out “or” at the end of clause (iii), (2) by
21 striking out the period at the end of clause (iv) and insert-
22 ing in lieu thereof “, or” and (3) by adding after such
23 clause the following:

24 “(v) preventive medicine or dentistry.”.

1 (c) The heading for section 748 of such Act is amended
2 to read as follows:

3 "PUBLIC HEALTH TRAINEESHIPS".

4 SEC. 4. The Secretary of Health, Education, and Wel-
5 fare shall conduct a study of—

6 (1) the type and quality of training provided by
7 foreign medical schools,

8 (2) the need in the United States for the additional
9 health professions personnel supplied by such schools,

10 (3) the conditions under which graduates of such
11 schools are licensed to practice in the United States, and

12 (4) the adequacy of such conditions to assure that
13 the health care provided by the graduates of such schools
14 is of high quality.

15 Not later than December 1979, the Secretary shall complete
16 such study and report his findings and recommendations to
17 the Committee on Interstate and Foreign Commerce of the
18 House of Representatives and the Committee on Human
19 Resources of the Senate.

20 SEC. 5. (a) Subsection (a) (1) of section 731 of the
21 Public Health Service Act (relating to eligibility of student
22 borrowers and terms of federally insured student loans) is
23 amended to read as follows:

24 "(1) made to—

1 “(A) a student who—

2 “(i) (I) has been accepted for enrollment
3 at an eligible institution, or (II) in the case
4 of a student attending an eligible institution,
5 is in good standing at that institution, as deter-
6 mined by the institution;

7 “(ii) is or will be a full-time student (as
8 defined in section 770 (c) (2)) at the eligible
9 institution;

10 “(iii) in the case of a student in a school
11 of medicine, osteopathy, or dentistry, has been
12 authorized by the institution in accordance with
13 section 739 (b) (2) to receive a loan under this
14 subpart;

15 “(iv) has agreed that all funds received
16 under such loan shall be used solely for tuition
17 and other reasonable educational expenses, in-
18 cluding fees, books, and laboratory expenses,
19 incurred by such student;

20 “(v) for the school year for which such
21 loan is made, receives no funds from a loan in-
22 sured under a Federal, State, or nonprofit pro-
23 gram provided or assisted under part B of title
24 IV of the Higher Education Act of 1965; and

1 “(vi) in the case of a pharmacy student,
2 has satisfactorily completed three years of
3 training; or

4 “(B) an individual who—

5 “(i) has previously had a loan insured
6 under this subpart when the individual was a
7 full-time student at an eligible institution;

8 “(ii) is in a period during which, pursu-
9 ant to paragraph (2), the principal amount of
10 such previous loan need not be paid; and

11 “(iii) has agreed that all funds received
12 under the proposed loan shall be used solely
13 for repayment of interest due on previous loans
14 made under this subpart; and”.

15 (b) Subsection (a) (2) of such section is amended—

16 (1) by inserting before the semicolon at the end
17 of subparagraph (D) the following: “, except that the
18 note or other written agreement may provide that pay-
19 ment of any interest otherwise payable (i) before the
20 beginning of the repayment period, (ii) during any
21 period described in subparagraph (C), or (iii) during
22 any other period of forbearance of payment of principal,
23 may be deferred until not later than the date upon which
24 repayment of the first installment of principal falls due
25 or the date repayment of principal is required to resume

1 (whichever is applicable) and may further provide that,
2 on such date, the amount of the interest which has so
3 accrued may be added to the principal"; and

4 (2) by striking out "student" in subparagraph
5 (E).

6 (c) Subsection (b) of such section (relating to maxi-
7 mum interest rates) is amended by striking out "10 percent
8 per annum" and inserting in lieu thereof "12 percent per
9 annum".

10 (d) Such section is further amended by adding after
11 subsection (c) the following new subsection:

12 "(d) No provision of any law of the United States
13 (other than subsections (a) (2) (D) and (b) of this sec-
14 tion) or of any State that limits the rate or amount of interest
15 payable on loans shall apply to a loan insured under this
16 subpart."

17 (e) The amendments made by this section shall take
18 effect on October 1, 1977.

95TH CONGRESS
1ST SESSION

H. R. 8519

IN THE HOUSE OF REPRESENTATIVES

JULY 25, 1977

Mr. ROGERS (for himself, Mr. PREYER, Mr. SCHEUER, Mr. MAGUIRE, Mr. MARKEY, Mr. CARTER, and Mr. MADIGAN) introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce

A BILL

To amend the Public Health Service Act to require increases in the enrollment of third-year medical students as a condition to medical schools receiving capitation grants under such Act.

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

3 That (a) section 771 (b) (3) of the Public Health Service
4 Act is amended to read as follows:

5 “(3) (A) Except as provided under subparagraph (C),
6 the application of a school of medicine for a grant under sec-
7 tion 770 to be made in the fiscal year ending September 30,
8 1978, shall contain or be supported by assurances satisfactory
9 to the Secretary that the third-year enrollment in such

1 school of full-time students in school year 1978-1979 and in
2 each school year thereafter will exceed the number of third-
3 year, full-time students enrolled in such school in school year
4 1977-1978 or in school year 1976-1977, whichever is
5 greater, by—

6 “(i) 5 per centum of such number, or

7 “(ii) ten students,

8 whichever is greater.

9 “(B) To assist schools of medicine in meeting the
10 requirement of subparagraph (A) the Secretary shall, not
11 later than August 15, 1977, and August 15 of each of the
12 next two years, identify the citizens of the United States
13 who, before the date of enactment of the Health Professions
14 Educational Assistance Act of 1976, were students in a
15 school of medicine not in a State and who by the date of the
16 identification made under this subparagraph—

17 “(i) successfully completed at least two years in
18 such school of medicine, and

19 “(ii) successfully completed part I of the national
20 board of medical examiners' examination (or any suc-
21 cessor to such examination).

22 The Secretary shall provide to schools of medicine, upon
23 their request, the names and addresses of the students iden-
24 tified under this subparagraph.

25 “(C) The Secretary may waive the requirement of sub-

1 paragraph (A) for a school of medicine upon a finding
2 that, because of the inadequate size of the population served
3 by the hospital or clinical facility in which such school con-
4 ducts its clinical training, an increase in its enrollment of
5 third-year students in compliance with such requirement will
6 prevent it from providing high quality clinical training for
7 each of its third-year students.”.

Mr. ROGERS. Our first witnesses this morning are appearing on behalf of the Department of Health, Education, and Welfare: Dr. Joyce Lashof, Deputy Assistant Secretary for Health, and Mr. Leo Kornfeld, Deputy Commissioner of Education for Student Finances.

We welcome you to the committee.

Mr. CARTER. Mr. Chairman.

Mr. ROGERS. Dr. Carter.

Mr. CARTER. As we all know, there has been a great deal of concern and controversy regarding the transfer of U.S. students into American medical schools—as required as a condition of receiving capitation support under the present health manpower law.

Many medical schools believe that this requirement is a violation of their institutional admissions process—and others contend that it is unconstitutional. On the other hand, several hundred students have made plans to apply for transfer as a result of this policy which the Congress approved.

This is indeed a very complex matter, and I have agreed to cosponsor this proposed amendment to indicate my willingness to consider changing the law. I look forward to hearing the witnesses and to examining various alternatives.

Thank you, Mr. Chairman.

Mr. ROGERS. Thank you.

You may proceed. Your statements will be made part of the record, without objection.

STATEMENTS OF JOYCE C. LASHOF, M.D. DEPUTY ASSISTANT SECRETARY FOR HEALTH-PROGRAMS, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, ACCOMPANIED BY ROBERT KNOUSS, M.D., DIRECTOR, DIVISION OF MEDICINE, BUREAU OF HEALTH MANPOWER; AND LEO L. KORNFELD, DEPUTY COMMISSIONER FOR STUDENT FINANCIAL ASSISTANCE, OFFICE OF EDUCATION, HEW, ACCOMPANIED BY DAVID BAYER, ACTING DIRECTOR, HEALTH LOANS STAFF

Dr. LASHOF. Mr. Chairman and members of the subcommittee, I am pleased to have the opportunity to testify before you today on H.R. 9280, a bill to increase enrollment of third-year medical students as a condition to be met by medical schools desiring capitation grants and to make certain other changes in the health professions educational assistance authorities in title VII of the Public Health Service Act. In general, the administration favors the enactment of this bill.

I should like to comment briefly on the proposed amendments as they relate to capitation grant conditions and to eligibility for public health traineeship grants. My colleague, Mr. Kornfeld, will comment on the amendments to the new authority for federally insured loans to health professions students.

H.R. 9280 provides that U.S. medical schools, in order to receive capitation grants for the school years 1978-79 and 1979-80, must increase the size of their third year class by not less than 6 percent of the number of their first or third year students enrolled in school year 1977-78, whichever is less. This new condition would take the place of the present requirement in section 771(b)(3) of the Public

Health Service Act that medical schools accept a certain number of U.S. citizen foreign medical students to be allocated by the Department of HEW.

The Department currently is proceeding to implement the existing capitation grant requirement, which was enacted by the Health Professions Educational Assistance Act of 1976 and was broadened by the Health Services Extension Act of 1977 to include students in U.S. programs designed to prepare individuals for the third year in medical school. A total of 828 U.S. citizen foreign medical students and 129 special program students have been identified as eligible for transfer under this requirement.

The U.S. citizen foreign medical students have been notified about their identifications and the schools have been sent a complete list of identified students. As we continue to implement the law, we will make a tentative allocation of positions to the schools following receipt of their student enrollment data in October, take final action on the schools' requests for waiver of the provisions in February, and complete a match of eligible students with the participating schools to which they have applied in March. It is expected that the matched students will be enrolled in reserved, advanced-standing positions before October 1, 1978.

Although we are implementing this capitation provision on as equitable and timely a basis as possible, the Department has deep concern about both a program of special consideration for U.S. foreign medical students and the approach to such a program that is contained in the existing provision, section 771(b)(3) of the PHS Act. Our concern is based on the following reasons:

One, the provision involves the Federal Government in the medical school admissions process by denying schools the right to apply academic qualifications criteria to such students, criteria they use in evaluating all other applicants.

Two, it creates privileged entry into U.S. medical schools for a group of students who were not accepted in their previous applications to U.S. schools. Further, this advantage accrues only to those fortunate enough to be able to afford a medical education in a foreign school. Less affluent applicants who had been denied admission to U.S. schools would not be able to receive this privilege, in many cases, only because they lack the financial resources.

Three, it provides extraordinary consideration for the least qualified members of this group since, in the past, the most qualified among them (458 in 1976) had been voluntarily accepted by U.S. medical schools, many through the COTRANS program.

Four, as written, all eligible students would be apportioned to all schools receiving capitation grants. If some medical schools decline to participate (i.e. decline capitation), this provision increases the burden on the remaining schools by apportioning the re-entering students across a smaller number of schools.

Five, there are major administrative complexities involved in identifying eligible students, verifying their credentials, apportioning positions among schools, and facilitating the matching of students qualified by this provision with the schools willing to consider them.

Six, despite the stated intent of the Congress that this mechanism would expire in 1980, we are concerned that it might be extended

and become a permanent inducement for more Americans to enter foreign medical schools.

Seven, these provisions have stimulated the establishment of a growing number of foreign medical schools catering almost exclusively to United States students. Many of these schools can never hope to acquire academic standards comparable to standards for United States accreditation.

A number of the Nation's medical schools have indicated that, rather than comply with the requirement in section 771(b)(3) for admission of transfers from foreign schools, they might forgo capitation support. To date 13 schools have raised questions about the legality of the transfer provision. Two schools have reserved the right to withdraw if implementation of the program is incompatible with the goals and principles of the schools. Three schools have already given notice that an upper limit exists on the number of transfers they would be able to accept. Following the tentative allocation of positions to the schools next month, other schools can be expected to request a waiver of the transfer provision.

The proposal in H.R. 9280 to substitute for the transfer provision a requirement for an increase in the size of medical schools' third-year classes would make several improvements. It would allow the medical schools to apply to U.S. citizen foreign medical students admission standards that are consistent with those applied to other students entering the schools and entering their third year. The only limits on schools would be that they could not count toward the increased number of third-year students certain types of students such as alien transferees and students enrolled in M.D. degree granting programs at another school.

We would suggest that schools also not be permitted to count as third-year students transferees from U.S. colleges of osteopathic medicine.

In addition to preserving the medical schools' discretion in the application of admission standards, the bill would give the schools the option of admitting transfer students either to the second-year or the third-year class, while counting all of these students toward the required increase in third-year enrollment. This provision would take care of the special problems of schools having three-year curriculums leading to the M.D. degree. It would also allow a medical school to require an extra year of training for those students who did not seem ready for training at the third-year level of that school.

With respect to the effect of the amendment on U.S. citizen foreign medical students, the requirement for a 6-percent increase in third-year enrollment would create enough positions to accommodate a fairly large proportion of the students capable of transferring to U.S. medical schools. If all the U.S. schools were to participate in the capitation program without a waiver, we estimate that about 1,860 places would be available over the 2 years of the program. Of these, only about 260 would be filled by students from special U.S. programs preparing students for the third year of medical school. Even under the existing transfer provision, of course, there is no absolute guarantee that a U.S. foreign medical student who has passed part I of the National Board of Medical Examiners' examination will gain admission to a U.S. medical school.

By allowing the U.S. schools to count U.S. citizen foreign medical students toward their required third-year enrollment increases only if those students were enrolled in a foreign school prior to October 12, 1976, the bill would apply to the same group of students covered by the existing transfer provision as a matter of equity. We strongly believe that the Federal Government should not encourage U.S. citizens to acquire a medical education in another country. As the conferees on the Health Professions Educational Assistance Act of 1976 said a year ago, it was not their wish "either to encourage or condone the practices of U.S. citizens receiving their medical education in foreign medical schools if such persons intend to practice in the United States."

We note that the proposed amendment would acquire an increase in the third-year enrollment of medical schools for each of 2 years—although probably by no more than the existing transfer provision. The Department is seriously concerned with the possible effects on health care costs of a constantly increasing supply of physicians and we are currently conducting a thorough study of this question. As written, the requirement in the bill would permit the schools to determine their own enrollments in academic year 1980–81 and after.

For all of the above reasons, we would oppose any extension of this enrollment-increase requirement beyond the present 2 years.

In summary, we are basically opposed to section 771(b)(3) as it is currently written, on the grounds previously enumerated in our testimony. However, we do recognize that the enrollment increase amendment contained in H.R. 9280 is preferable to the existing provision, because:

First, it would give medical schools greater discretion in the admission of transfer students;

Second, it would provide equitable treatment for U.S. citizen foreign medical students who may have already taken irreversible actions in expectation of enforcement of the current provision; and

Third, it would strictly limit the transfer program to 2 years.

This latter point is particularly important, Mr. Chairman, because the departmental manpower study to which I previously referred could indicate that the existing capacity of American medical schools is sufficient to meet national needs in the foreseeable future.

Section 4 of your bill asking for a study of the problem of the foreign training is applicable and would fit in with our proposed study and we would be in favor of that, too.

The amendment would apply to medical school capitation grants made in fiscal years 1978 and 1979. At present, the only other special condition for medical school capitation grants for fiscal years 1978 through 1980 is the requirement that the schools train at least a specified percentage of first-year residents in primary care: 35 percent for fiscal year 1978 grants; 40 percent for 1979; and 50 percent for 1980. Recent counts show that the residency training requirements specified for fiscal year 1980 have already been met, with the percentage of first-year residents in primary care having been 52.8 percent on July 15, 1977.

Under the Health Professions Educational Assistance Act of 1976, capitation grants were authorized to a large extent as a means of encouraging the schools to help meet certain critical national objectives. The Department currently is reviewing the existing Federal health manpower training programs with a view to assessing their effectiveness in addressing the nation's major health manpower problems. We

look forward to working with this subcommittee in developing strengthened efforts to improve geographic and specialty distribution and otherwise to help mobilize our health manpower resources to meet national needs.

In addition to amending the transfer provision in the medical school capitation authority, H.R. 9280 would amend the dental school capitation authority to exempt from the requirements for specified percentages of dental residency positions in general dentistry or pedodontics a dental school which in 1976-77 had fewer than six filled positions in dental specialty programs. This provision is designed to relieve undue pressures on certain new or small dental schools. We have no objection to this provision.

The bill also would amend the public health traineeship authority in section 748 of the Public Health Service Act to broaden the eligibility provisions and the purposes of the traineeship grants. Grants would be made not only to accredited schools of public health but also to other public or nonprofit institutions which provide graduate or specialized training in public health and which are not eligible for grants under the separate authority of section 749 for traineeship grants to graduate programs in health administration, hospital administration, or health policy analysis and planning. Areas of study covered by the program would be broadened to include preventive medicine or dentistry. We favor this amendment.

Finally, the bill would make several amendments in the new authority for federally insured loans for health profession students as enacted in the Health Professions Educational Assistance Act of 1976.

Before Mr. Kornfeld discusses these, I would like to comment briefly on the relationship of the loan program to certain health professions student assistance programs administered by the Public Health Service.

Capitation is a lever to redirect our health profession training institutions to address critical national health manpower objectives. The National Health Service Corps scholarship program assists with educational funding those students willing to provide future service in nationally determined shortage areas.

The department continues to be strongly committed to resolving this geographic maldistribution problem. However, the department also supports the objective of improving access to the capital market to assist those students for whom there are insufficient service scholarships, especially dentistry, veterinary medicine, optometry, and podiatry students.

At the same time, we strongly believe that improved capital market access should be integrally related to and not jeopardize or compromise our other health manpower objectives. Specifically, by statute, the new loan program is available only to students whose schools participate in addressing the national manpower objectives contained in the capitation program.

In addition, only 50 percent of students in medical, osteopathic, and dental schools will actually receive loans in any given year.

Finally, we believe that the terms of loans should not contain conditions, such as interest subsidies, that may induce students who would otherwise accept a service scholarship to prefer to finance their education with loans. Health professions students face high rates of return on their investments in training, 22 percent per year for medicine, and relatively optimistic income prospects, median net

physician income in 1975 was \$58,400, about five times the average worker's earnings.

We believe therefore that it is quite reasonable to expect the health professions student who borrows to finance his education to repay not only the principal but also the interest charges which compound and accrue while he is a student, intern, or resident. Recognizing such future repayments, a student may instead choose to accept a service scholarship.

With that introduction from our overall health manpower policy perspective, Mr. Kornfeld will now discuss the student loan aspects of the bill. And, of course, both of us will be available to answer questions.

Mr. ROGERS. Thank you. Mr. Kornfeld.

STATEMENT OF LEO L. KORNFELD

Mr. KORNFELD. Thank you. We are pleased to be here.

As you know, this is the first time we have had an opportunity to be before this subcommittee. We have submitted written testimony [see p.22] and I would like to briefly summarize what we have included in that testimony.

In the written testimony, we have proposed five limited and hopefully noncontroversial amendments to the bill.

The enabling legislation for this health loan program became effective October 1, 1977. For this current year to permit medical students to obtain the loans up to \$10,000, we have amended the student loan program this year. Hopefully, we will get the new law into effect in the next 2 years.

The five amendments we have suggested for your consideration are the following:

First, interest may be deferred and added to principal until the student is in a repayment schedule. The reason for this particular amendment is assuming a student, for example, borrows \$10,000 a year as permitted under this law, by the time he enters his fourth year at medical school, he would be obligated to pay back at the rate of \$330 a month. This appears to be an obvious burden some students could not accomplish. By deferring the interest at this point, this would permit him not to pay the interest while at school or during his internship or residency and have that amount added to the payment schedule when he is in a significantly better position to make that kind of payment.

The second amendment is prior borrowers may borrow during their internship and residency, during the 9-month preferred period and the deferment period on the loan. Our student residents earn in the \$10,000 to \$16,000 range. If, again, he borrowed the maximum of \$10,000 a year, by the time he interned or had a residency, he would be obligated to pay back \$4,000 a year which is obviously an inordinate amount for a person to pay at that level of salary of approximately \$16,000. He would be able to pay the interest at a time when he is in a much better position to do so.

The next three are of a somewhat minor nature but, to make sure the bill is clear to all parties, the third is to allow first year students accepted in health profession schools to receive loans prior to commencing full-time studies. The bill presently states students currently enrolled and in good standing are the only ones who can take the loans.

It may appear these might be freshman students who can accept these loans. The amendment we are suggesting would extend to students accepted by school.

The fourth is a better definition of eligible students. As we read the law, the law states that we are assuming the only students who are eligible for this type loan, the \$10,000 loan, are students included in the capitation count. If it is the intent of Congress that you in fact want to include physician assistants and dental auxiliary students, this would add about 15,000 more students eligible for this type loan.

However, if they are excluded, there would be 15,000 students less. The 15,000 would still be eligible for the guaranteed student loan program.

The fifth is the State usury laws. As you know, 26 States have laws where loans of this sort have to be limited to an interest payment of less than 10 percent. We have this authority, the override in the State usury laws for our guaranteed student loan program. This was passed in 1968 and there are a number of States where, unless this amendment was passed, we would have trouble with loans in those States.

I think that covers the major points included in our written testimony.

We would be happy to answer any questions.

[Testimony resumes on p. 45.]

[Mr. Kornfeld's prepared statement and attachments follow:]

Statement by
Leo L. Kornfeld
Deputy Commissioner for Student Financial Assistance

Mr. Chairman and Members of the Subcommittee:

This is my first appearance before this Subcommittee and I appreciate the opportunity to be here to outline the need for amendments to P.L. 94-484, Section 401(b), the Federal Program of Insured Loans to Graduate Students in Health Professions Schools.

We are well aware that the enabling legislation for this new program becomes effective October 1, 1977. However, it has also become apparent that to implement the program without further statutory amendments could lead to significant problems for potential student borrowers, lenders and the Office of Education, which as you know, has been charged with the responsibility for the administration of this program.

Recognizing the amount of publicity that has been given to this legislation and the need to assist students in health professions schools for the current academic year, an amendment to the existing Guaranteed Student Loan Regulations was published in the Federal Register on June 30 which permits health professions students to borrow up to \$10,000 for the 1977-78 school year. This interim solution enables these students to borrow the same amounts authorized under the new health loan program and will remain in place until the new program is implemented.

We feel that the amendments we have proposed for your consideration will strengthen the existing legislation and, if enacted on a timely basis, make it possible to implement the program in plenty of time to assist health professions students who need to borrow for the 1978-79 school year.

It is the Bureau's belief that changes in the existing legislation are essential if the program is to be responsive to the needs of students in health professions schools and concurrently retain the apparent Congressional intent of giving the students financial responsibility for their education.

Payment of Interest

Certainly the matter of greatest concern to those associated with this legislation is the amount of interest borrowers must pay on loans, how that interest will be paid, and the total repayment burden.

This subject came into even sharper focus on August 16, when we met with representatives of the financial community to discuss the program and their willingness to make these loans. After much discussion, it became clear that the chief concern of these lenders was how and when borrowers would make interest payments which the law requires them to do while in school and during training. The feeling of the lenders was that, under the current legislation, defaults were inevitable during these periods since interest

payments would spiral well beyond the ability of most borrowers to pay.

The interest costs to the borrower prior to the beginning of the repayment period are significant. Moreover, the burden of interest payments comes at a time when the student is least able to pay. For example, a student who borrows \$8,000 a year for four years at 10 percent would be liable for annual interest charges of \$3,200 a year, or \$266.67 monthly, during his senior year of college, during the internship and residency periods and the 9-12 month grace period before repayment of principal commences.

If a student borrows the maximum of \$10,000 a year, and some will have to, the annual interest increases to \$4,000 or \$333.34 monthly. For most students, it would seem clear that such interest payments would be difficult to meet and increase the likelihood that borrowers would default even before they begin repaying their loans.

An obvious alternative to this problem would be to defer and accrue the interest until repayment of principal commences. However, the commercial lenders have made it clear that they would be unable to hold loans of these amounts for such a long period of time without some return on investment of funds. It is quite apparent that many commercial lenders would not view these loans as attractive investments.

At the August 16 meeting, the Student Loan Marketing Association responded to the dilemma by suggesting that the educational institutions themselves are the most logical lenders for this program and that the role of the commercial lenders might be to provide short-term lines of credit to those schools, who may not have sufficient lending capital. After the student loans had been disbursed by the school lenders, Sallie Mae could purchase the loans, thus enabling the schools to repay the banks.

Sallie Mae's unique financing authority would make it possible for that organization to hold and service these loans without the necessity for an immediate return on investment which virtually all commercial lenders require. Thus, the student's interest obligations could be deferred until the repayment period commences. This would provide an alternative to those students who could not afford to pay the interest on a pay-as-you-go basis.

On August 24, a meeting was held with educational institutions and student associations to obtain their views on implementation of the program. Funding of the loans, the total debt burden, and the problem of how students would pay the interest were overriding concerns. The students groups said it would be difficult to pay this interest while in school since tuition alone at some medical schools is approaching or in excess of \$10,000, and the total

student budgets at many health professions schools are well over the annual loan maximum of \$10,000 authorized under this program. Furthermore, the students pointed out that the rigors of both classroom and clinical training preclude them from holding part-time jobs and that students with families to support are under constant pressure to meet their day-to-day financial obligations.

Most of the schools felt that since commercial lenders apparently were not interested in making the loans, they would reluctantly agree to become lenders. The schools felt that the Sallie Mae proposal could make this a viable approach and provide them the resources they need if they are to function as lenders.

We are well aware there is current disenchantment with utilizing schools as primary lenders because of the default experience of some of them under the existing Guaranteed Student Loan Program. However, by allowing the deferral of interest during the school and training periods, our feeling is that defaults will be minimal because we are dealing only with some 300 health professions schools on less than 200 campuses. Students graduating from these schools usually earn incomes well above the average. The major default problems of the Guaranteed Student Loan Program have been concentrated among vocational and undergraduate students and affected by numerous cases of school closures, high drop-out rates and lack of

employment opportunities. We do not foresee these problems with health professions students.

We have adopted the Sallie Mae as the basis for an amendment which would provide for the deferral of interest during periods when the borrower's income is minimal and would be paid when their earning capacity is greatest -- when they are in professional practice. This includes the years during which the borrower is pursuing full-time studies in a health professions school and also during periods of internship and residency. It would also include the 9-12 month grace period that occurs prior to commencement of repayment, any authorized periods of deferment and any period of forbearance agreed to by the lender and approved by the U.S. Commissioner of Education. Interest would accrue and be compounded during these periods, be added to and become part of the principal amount of the loan when repayment of the loan commences or resumes. The lender will then charge the permissible rate of interest on this new principal amount, amortizing the loan over the repayment period.

For those borrowers who are financially able to pay the interest on a pay-as-you-go basis, that way is certainly the most economical for all involved. But we know many will not be able to do this. This accrual proposal, while increasing the total amount to be repaid, will at least offer an option other than default.

Use of Loan Proceeds

Not all students will need the maximum loan of \$10,000 to pay for tuition, equipment, room, meals and other such costs. Some may use a portion of their loan proceeds to pay for the interest due on the loans while they are enrolled as students in a health professions school. However, these interest charges may present a significant problem during periods of internship, residency and other periods when payment of principal is not required. These are also periods when their income is minimal compared to their earning capacity when they commence practicing their professions.

For example, the average annual income of interns or residents in the various health professions areas generally ranges from \$10,000 to \$16,000 before taxes, depending upon academic discipline. At a ten percent interest rate, the annual interest owed on \$35,000 in total loans would be \$3,500. To pay amounts like this would take an inordinate amount out of current income and could possibly result in default. In addition, many of these students may have other loans made either at the undergraduate or graduate level, which have to be repaid during these periods. Internship and residency training is usually not a basis for deferral of principal repayment in other student loan programs.

We have therefore proposed an amendment which would permit borrowers to obtain additional loans during such periods, only

for payment of the interest due on the loans they obtained while they were enrolled in a health professions school. We believe this provision is essential.

We recognize that this proposal, as in the case of our proposal to permit deferral of interest that accrues prior to the beginning of the repayment period, will increase the total interest burden on the student. This is of no little concern to us -- and we would like to share some of these concerns.

Many of us who are not continually involved in financial transactions tend to underestimate the cost of interest relative to the overall cost of borrowing. Frequently overlooked in deference to our concern with the amount of monthly payments due, the cost of interest may be greater than the amount borrowed.

For example, a prospective homeowner would express little concern over a monthly installment of \$268.55 on a 25-year home mortgage of \$32,000 at 9% simple interest. Yet the homeowner would make total payments of \$80,565 over the life of that loan. This same concept would be the case with regard to loans made under this program with the student paying the interest on a pay-as-you-go basis. The same is true with the additional options we have proposed to allow the student to defer interest, which would compound and accrue to the beginning of the repayment period or to allow the student to borrow the interest during the internship, residency or other periods when principal payment is not required.

The following table demonstrates this fact, and is based upon a student who borrows \$8,000 per year for four years at 10 percent interest and who has a three-year internship and residency period followed by a 12-month grace period and a 15-year repayment period.

Comparison of Student Interest Burden

	Interest Paid Prior to Beginning of Repayment Period	Accrued Interest	Principal Amount at Start of Repayment Period	Interest During Repayment Period	Total Interest	Total of All Interest and Principal
OPTION I (Pay interest as you go)	\$20,800	-0-	\$32,000	\$29,898	\$50,698	\$82,698
OPTION II (Accrue and Compound interest)	-0-	\$28,700	\$60,700	\$56,714	\$85,414	\$117,414
OPTION III (Student borrows to pay interest during internship/residency/grace periods)	\$24,578	-0-	\$48,578	\$45,389	\$69,967	\$118,545

Loan Eligibility

We also are proposing several modifications which would make clear which students are eligible for loans. As indicated in the title of this law, the program provides for loans for

graduate students attending eligible health professions schools. One amendment clarifies that the eligibility applies only to those students who are counted for purposes of the capitation grant program. This includes those enrolled in a program leading to a degree of doctor of medicine, doctor of dentistry or an equivalent degree, doctor of osteopathy, doctor of optometry or an equivalent degree, doctor of veterinary medicine or an equivalent degree, or doctor of podiatry or an equivalent degree, or a graduate degree in public health or equivalent degree.

Based on the most recently available data (1975-76), school year, the total enrollment of the 312 health professions schools was 127,781. Of this number, 15,983 students enrolled in schools of medicine, osteopathy and dentistry were not counted for purposes of capitation. We assume it is not the intent of Congress to extend eligibility to those students enrolled in physician's assistants programs, dental auxiliary programs or programs of advanced study leading to terminal degrees in the health sciences, hematology, etc. We are not clear of the Committee's intent in this regard. If Congressional intent is to include students studying in health professions schools for other than the degrees mentioned, we will implement the program in that way but we need direction from this Committee.

Another perfecting amendment clarifies that there is a difference between a student who has been accepted for enrollment

and one who is currently enrolled. This amendment will make it possible for students in either category to receive loans. The law as currently written states that a student must be "currently enrolled," "in good standing" and "pursuing a full-time course of study" before receiving loan payments. Schools normally only determine "good standing" for students who have been in attendance for a period of time. Some schools will not permit students to begin classes until all fees are paid. We have suggested language which will make it possible for students to receive loan proceeds prior to the start of classes and pay other education-related expenses such as rent or purchase of equipment in advance of attendance.

Usury Law Restrictions

Finally, 26 States have usury laws which restrict consumer loans of this type to less than ten percent. We are suggesting language to be added to Section 731 which would override the usury laws in these States and permit lenders to make loans under this program at the interest rate specified by the Secretary, within the maximum rate set by law. The language is comparable to that enacted by the Congress in 1968 for the existing Guaranteed Student Loan Program. Without such a change, it is doubtful that lenders in these States would be willing or legally able to make such loans.

In this respect, we note that the bill the Committee is now considering allows an increase in the maximum interest

rate to 12 percent. We have no objection to this provision although we do not anticipate promulgating a regulation which would allow such a rate at this time.

In conclusion, Mr. Chairman, I would like to say that we have attempted to propose limited and non-controversial modifications to resolve the problems outlined to you here today. Attached are some exhibits which provide additional information to support these amendments.

As I have indicated, we feel it would be difficult to implement this program without this legislation. In addition we believe that this legislation must be enacted by late January to enable us to proceed to structure the program administratively in time for the 1978-79 academic year.

Thank you.

OPTION I

Student Paying Interest (10%) as Provided in Existing Legislation on A Current Basis

	In School				Internship/Residency		Grace Period
	/Year 1	Year 2	Year 3	Year 4/	/Year 5 Year 6	Year 7/	
*Amount Borrowed	\$8,000	\$8,000	\$8,000	\$8,000	-	-	-
*Principal Amount Outstanding	8,000	16,000	24,000	32,000	32,000	32,000	32,000
*Interest (10%)	800	1,600	2,400	3,200	3,200	3,200	3,200
*Insurance Premium (Assumption- $\frac{1}{2}$ of 1% paid in advance: Calculated from disbursement to beginning of repayment period.)	320	280	240	200	-	-	-
*Total Interest/Insurance Premium (paid by student)	1,120	1,880	2,640	3,400	3,200	3,200	3,200
*Net Proceeds Available for Educational Expenses	6,880	6,120	5,360	4,600	-	-	-
*Student Monthly Interest	66.67	133.34	200.00	266.67	266.67	266.67	266.67

- Proceeds of loans = \$ 32,000
- Net Proceeds Available for Educational Expenses = \$22,960
- Repayment of \$32,000 over 15 years at 10% = \$343.88 per mo.
- Total of Payments for 15 year period = \$61,898.40
- Total of All Principal and Interest Paid = \$82,698

OPTION III

Student Pays Interest Out of Loan Proceeds During In-School Period
And Borrows During Internship/Residency Period and Grace Period to Pay Interest

	In School			Internship/Residency			Grace Period /Year 8 /
	/Year 1	Year 2	Year 3	Year 4 /	Year 5	Year 6	Year 7 /
• Amount Borrowed	\$8,000	\$8,000	\$8,000	\$8,000	\$3,520	\$3,907	\$4,337
• Principal Amount Outstanding	8,000	16,000	24,000	32,000	35,520	39,427	43,764
• Interest (10%)	800	1,600	2,400	3,200	3,520	3,907	4,337
Insurance Premium (Assumption- $\frac{1}{2}$ of 1% paid in advance: Calculated from disbursement to beginning of repayment period)	320	280	240	200	70.40	58.61	43.37
• Total Interest/Insurance Premium (paid by student)	1,120	1,880	2,640	3,400	3,590.40	3,965.61	4,380.37
Net Proceeds Available for Educational Expenses	6,880	6,120	5,360	4,600	-	-	-
• Student Monthly Interest	66.67	133.34	200.00	266.67	-	-	-

- Proceeds of Loans \$48,578
- Net Proceeds Available for
Educational Expenses = \$22,960
- Repayment of \$48,578 over 15 years at 10% = \$522.04 per month
- Total of payments for 15 year period = \$33,967.20
- Total of all Principal and Interest Paid = \$118,545

SALARIES DURING THE INTERNSHIP AND RESIDENCY PERIOD
FOR GRADUATES OF HEALTH PROFESSIONS SCHOOLS

		Internship/Residency	Average Salary Internship/Residency
MEDICINE	Yes	3-4 Years 7 Years-Specialization area	1st Year = \$12,371 3rd Year = 14,111 6th Year = 16,488
OSTEOPATHY	Yes	1-5 Years	\$10,500 - 13,500
DENTISTRY	Yes	1-2 Years	\$10,000 - 12,000
VETERINARY MEDICINE	(A)	(A)	Intern: \$12,000 - 14,000 Resident: 13,000 - 16,000
OPTOMETRY	Yes	1-2 Years	\$11,000 - 13,000
PODIATRY	Yes	1 Year	\$5,800
PUBLIC HEALTH	(B)	(B)	(B)
PHARMACY	Yes	1 Year	\$ 0 - 5.00 per hour depending on state and locality in state
(A) Estimate field training required of 10-15% of graduates. Salaries are minimal and will vary - in some cases there is no salary.			
(B) Estimate 10-20% go into a further training period. The majority who go directly into practice would not earn more than \$20,000 for the first several years.			

HEALTH PROFESSIONS INSURED STUDENT LOAN PROGRAM
CAPITATION DATA - 1975 - 1976 (a)

	NUMBER OF SCHOOLS	FIRST YEAR ENROLLMENT	TOTAL ENROLLMENT	TOTAL ENROLLMENT CAPITATED	EXCLUDED FROM CAPITATION	ELIGIBLE FOR LOANS SEC. 739(b)(2)
MEDICINE	117	15,289	55,650	44,249	11,401 (c)	22,125
OSTEOPATHY	11	1,034	3,438	2,868	570 (c)	1,434
DENTISTRY	57	5,837	20,699	16,687	4,012 (c)	8,344
OPTOMETRY	12	1,049	3,944	3,944	-0-	3,944
PHARMACY	70	8,746	29,211	29,211	-0-	29,211
PODIATRY	5	642	2,081	2,081	-0-	2,081
VETERINARY MEDICINE	21	1,702	6,252	6,252	-0-	6,252
PUBLIC HEALTH (b)	19	2,708	6,506	N/A	N/A	6,506
	312	37,007	121,275 (127,781)(b)	105,292	15,983	79,897 (d)

(a) Latest enrollment and capitation data available from PHS and health professions school associations.

(b) Prior to enactment of the PHS Act, Federal financial support for students in Public Health Schools was provided under Section 312 of the PHS Act. Beginning FY 1978 public health schools will receive capitation support under Section 770 of the PHS Act.

- (c) Exclusion of student enrollment from capitation results from:
- (i) grants for support of Postgraduate Training Programs for Physicians and Dentists (Section 768);
 - (ii) individuals enrolled at medical, osteopathic and dental schools, pursuing a professional course of study leading to a Ph. D. or similar terminal degree in a health science; and
 - (iii) persons attending schools of Medicine, Osteopathy, and Dentistry in programs of study as Physician's Assistants or Dental Therapists who were included in capitation grant calculation (Section 770 et seq.) prior to enactment of P.L. 94-484.
- (d) Total enrollment eligible for loans is computed by limiting eligible borrowers in schools of Medicine, Osteopathy, and Dentistry to 50% of students eligible for purposes of institutional capitation.

Sources: P.H.S., Bureau of Health Manpower - C. Wood
 American Association of Schools of Public Health - Lynn Shapiro
 Public Health Service Act, as amended

NOTE: Estimated student budget is based on a single student's living expenses.

1977-78 ACADEMIC SCHOOL YEAR

Health Care Institutions	Amount of Acceptance Fee (Deposit to Hold Place in Class)	Date Academic Year Starts	Tuition Due	Total Amount of Tuition	Estimated Minimum Student Budget (Includes Tuition, Room and Board, etc.)
<u>Private - MEDICINE</u>					
Georgetown University School of Medicine District of Columbia	\$100	July 1, 1977	July 1, 1977	\$12,500	\$16,304
<u>Public - MEDICINE</u>					
University of Arizona College of Medicine Tucson, Arizona	None	July 21, 1977	July 21, 1977	\$ 1,050	\$ 4,750
<u>Private - OSTEOPATHY</u>					
Chicago College of Osteopathic Medicine Chicago, Illinois	\$350	September 6, 1977	September 6, 1977	\$ 4,000	\$10,250
<u>Public - OSTEOPATHY</u>					
Oklahoma College of Osteopathic Medicine and Surgery Oklahoma City, Oklahoma	\$100	July 1, 1977	July 1, 1977	R - \$ 1,725 N - \$ 3,075	R - \$ 8,000

R - Resident
N - Nonresident

1977-78 ACADEMIC SCHOOL YEAR

Health Care Institutions	Amount of Acceptance Fee (Deposit to Hold Place in Class)	Date Academic Year Starts	Tuition Due	Total Amount of Tuition	Estimated Minimum Student Budget (Includes Tuition, Room and Board, etc.)
<u>Private - DENTISTRY</u> University of the Pacific School of Dentistry San Francisco, California	\$500	July 6, 1977	May 1, 1977	\$ 7,752	\$18,405
<u>Public - DENTISTRY</u> University of Florida College of Dentistry Gainesville, Florida	None	September 12, 1977	September 12, 1977	R - \$ 1,800 N - \$ 4,072	R - \$ 8,400 N - \$10,628
<u>Private - VETERINARY MEDICINE</u> University of Pennsylvania School of Veterinary Medicine Philadelphia, Pennsylvania	\$ 50	September 1, 1977	August 5, 1977	R - \$ 5,500 N - \$ 6,500	R - \$10,200 N - \$11,200
<u>Public - VETERINARY MEDICINE</u> University of Georgia College of Veterinary Medicine Athens, Georgia	None	September 22, 1977	September 22, 1977	\$ 771	\$ 3,000
<u>Private - OPTOMETRY</u> Southern College of Optometry Memphis, Tennessee	\$250	June 20, 1977	June 20, 1977	\$ 5,900	\$10,695
R - Resident N - Nonresident					

1977-78 ACADEMIC SCHOOL YEAR

Health Care Institutions	Amount of Acceptance Fee (Deposit to Hold Place in Class)	Date Academic Year Starts	Tuition Due	Total Amount of Tuition	Estimated Minimum Student Budget (Includes Tuition, Room and Board, etc.)
<u>Public - OPTOMETRY</u>					
University of California, Berkeley School of Optometry Berkeley, California	None.	September 26, 1977	August 15, 1977	R - \$ 709 N - \$ 2,614	\$ 7,905
<u>Private - PODIATRY</u>					
Pennsylvania College of Podiatric Medicine Philadelphia, Pennsylvania	\$500	September 1, 1977	July 1, 1977	R - \$ 5,520 N - \$ 5,320	R - \$10,640 N - \$10,640
<u>NO PUBLIC INSTITUTIONS OF PODIATRY</u>					
<u>Private - PUBLIC HEALTH</u>					
John Hopkins University School of Hygiene and Public Health Baltimore, Maryland	\$100	September 1, 1977	September 1, 1977	\$ 3,750	\$ 7,536
<u>Public - PUBLIC HEALTH</u>					
University of North Carolina School of Public Health Chapel Hill, North Carolina	\$ 50	August 25, 1977	August 25, 1977	R - \$ 610 N - \$ 2,074	R - \$ 3,500 N - \$ 5,100
R - Resident N - Nonresident					

1977-78 ACADEMIC SCHOOL YEAR

Health Care Institutions	Amount of Acceptance Fee (Deposit to hold Place in Class)	Date Academic Year Starts	Tuition Due	Total Amount of Tuition	Estimated Minimum Student Budget (Includes Tuition, Room and Board, etc.)
<u>Private - PHARMACY</u> Mercer University Southern School of Pharmacy Atlanta, Georgia	\$125	September 12, 1977	September 12, 1977	\$ 2,750	\$ 6,202
<u>Public - PHARMACY</u> University of Washington School of Pharmacy Seattle, Washington	\$ 50	September 26, 1977	September 1, 1977	R - \$ 660 N - \$ 2,394	R - \$ 2,564 N - \$ 3,581

R - Resident
N - Nonresident

INTEREST - USURY STATUTES¹

(Maximum Contract Rates Range From 6% Per Annum To An Unlimited Amount, As Agreed To By The Parties)

	Maximum Rate		Maximum Rate
Alabama	8 %	Montana	10 %
Alaska	10.25%	Nebraska	11 %
Arizona	10 %	Nevada	12 %
Arkansas	10 %	New Hampshire	None
California	10 %	New Jersey	9.50%
Colorado	None	New Mexico	10 %
Connecticut	12 %	New York	C
Delaware	A	North Carolina	8 %
D. C.	8 %	North Dakota	9.50%
Florida	10 %	Ohio	8 %
Georgia	9 %	Oklahoma	10 %
Hawaii	12 %	Oregon	10 %
Idaho	10 %	Pennsylvania	6 %
Illinois	B	Puerto Rico	9 %
Indiana	None	Rhode Island	21 %
Iowa	9 %	South Carolina	8 %
Kansas	10 %	South Dakota	10 %
Kentucky	8.50%	Tennessee	10 %
Louisiana	8 %	Texas	10 %
Maine	None	Utah	None
Maryland	8 %	Vermont	8.50%
Massachusetts	None	Virginia	8 %
Michigan	7 %	Washington	12 %
Minnesota	8 %	West Virginia	8 %
Mississippi	10 %	Wisconsin	12 %
Missouri	10 %	Wyoming	None

^ADelaware - Special education loan provision - 7% discount + 2% fee

^BIllinois - Special education loan provision - loans to \$15,000 and 121 months, the add-on rate of 7%

^CNew York - Special education loan provision - loans to \$20,000 and 85 months - rate not to exceed 12%

¹Sources: The Cost of Personal Borrowing in The United States; Financial Publishing Co., Boston, MA

Consumer Credit Guide, Sec. 510, Interest - Usury

Mr. ROGERS. Thank you very much, Mr. Kornfeld.

I want to say, Dr. Lashof, the subcommittee has appreciated the cooperation from the Department in trying to work out this particular matter. Dr. Knouss has been most helpful in administering the program.

Mr. CARTER. I want to congratulate the witnesses on their testimony. It has been meaningful and represents a position with which I believe I agree, to a great extent.

I certainly agree with your idea of deferring payment on the interest for students, however, I don't believe in increasing that interest rate above 10 percent. Whenever you do that, you get into a difficult situation for anyone. People can't pay over 10-percent interest even on \$58,000 a year. They would have difficulty doing it. At any rate, that is going too high.

One thing that concerned me throughout the debate is a lack of data on education in foreign medical schools. How many American students are enrolled in Guadalajara at the present time?

Dr. LASHOF. I believe about 2,000. I will find the specific figures in a minute.

Mr. CARTER. 2,000 Americans?

Dr. LASHOF. Yes, 1,853. Now, this data is from 1972-73.

Mr. CARTER. What is the total student enrollment of that school?

Dr. LASHOF. We don't have those figures. These figures which I am giving you are from 1972-73, which are the most recent we could get.

Mr. ROGERS. Perhaps Dr. John Cooper, of the Association of American Medical Colleges, may have that information.

Dr. COOPER. Unfortunately, it is difficult to get information from there.

Mr. CARTER. But there were several thousand students?

Mr. ROGERS. These figures are from 1972-73. I would anticipate there are substantially more Americans abroad now.

Mr. CARTER. Do you know anything of the nature of the facilities they have for training in Guadalajara?

Dr. LASHOF. I am not personally familiar with the facilities. I know some anecdotal information from some of the students who entered the Rush Medical College for their last 2 years when I was at Rush before coming here. One gathers the lectures are in large lecture halls and most of the students are studying on their own, got their text books and studied on their own and didn't get much out of the classroom. They gained enough to pass the first part and with help and special training, many have done fairly well.

Mr. CARTER. They did fairly well there at Rush, is that correct?

Dr. LASHOF. Yes; they may be the handpicked of the top people there and I would hate to generalize as to what happens to most of the students coming from there.

Mr. CARTER. Did they pass their National Boards after completion of the first 2 years?

Dr. LASHOF. Yes.

Mr. CARTER. Did you make any further requirements at Rush before they entered?

Dr. LASHOF. I do not believe so. I was not on the admissions group that selected them. I know we didn't just take any of them. There was a selection process but what elements we used, I personally don't know.

Mr. CARTER. Were many of these the same students whom you had rejected at Rush previously?

Dr. LASHOF. Or some other school. I don't know that all applied to Rush, but they were students that tried to get into an American school that didn't make it.

Mr. CARTER. What do you require of a first year medical student for admission besides his required subjects and premed?

Dr. LASHOF. I think most schools, of course—

Mr. CARTER. What sort of academic grade average do you require.

Dr. LASHOF. Most schools are requiring between three to four, 3.5 to 4 at the top schools.

Mr. CARTER. Have you let them in with less than 3.5?

Dr. LASHOF. I couldn't speak for the schools as a whole. I think Dr. Bennett and Dr. Cooper could answer that better than I.

Mr. CARTER. Then on their aptitude tests—

Dr. LASHOF. I think they will talk to those questions.

We do have some data. Dr. Knouss knows this and has pulled together a lot of data. Comparing grade-point data about 85 percent of accepted first-year medical students in the United States has a grade-point average of between three and four, and about 15 percent had a grade-point average of 2.9 or below. For the aptitude scores among accepted first-year students, 89 percent had MCAT scores between 500 and 795, and approximately 11 percent had scores less than 500. Among COTRANS candidates, 69 percent had MCAT scores over 500 and 31 percent below 500.

Mr. CARTER. How many staff have you had working on the current law's provisions?

Dr. LASHOF. Do we count them in manhours of staff? I think Dr. Knouss could be counted as two. We have had about three people working on it.

Mr. CARTER. Are your resources adequate to meet the deadlines specified in current law?

Dr. LASHOF. Let's say whether they are adequate or not, we are meeting them.

Mr. CARTER. How would enactment of this amendment affect your staffing needs?

Dr. LASHOF. It would reduce them. We would be able to drop this particular activity and allow staff to devote themselves to other activities. We won't fire anybody because you change it, I assure you there is plenty of other work for them.

Mr. CARTER. I understand the Senate has a proposal to require only a 5-percent increase for 1 year only, and to consider only those students identified as eligible under the current law's provision. What comments do you have on the Senate approach?

Dr. LASHOF. Well, under the 6 percent we would have space for 922 students; under the 5 percent we would have space for 766. So it would decrease the number of students who at this point think they will be able to get in by 150 some.

Under the House bill the number of 922 is for 2 years, so 1,800 students would get in. Under the Senate bill, 706 students would get in in 1 year. So it is a question of how many students you want to try to give this to.

Mr. CARTER. You feel these students should pass the first part of the National Boards?

Dr. LASHOF. Oh, yes.

Mr. CARTER. And the MCAT test also?

Dr. LASHOF. Certainly we should require that they pass the first part of the National Boards. All have taken MCAT's, I am sure, before. I don't know whether I thought through how thoroughly the MCAT may be used at their level. It is kind of academic.

I think part of the problem is that we use them to try to predict whether a student is going to make it. Once a student has had 2 years and has been able to prove he can pass the National Boards, whether the test is as important as it was before, I think that is something I would refer to the academicians to see what their projections are and review some of the experiences they have had.

Mr. CARTER. Thank you very kindly.

Mr. KORNFIELD. One point, you mentioned the 10 percent I, wanted to mention it is our intent to implement this law using that interest rate.

Mr. CARTER. That is too much, Mr. Kornfeld. I am a low-interest-rate man.

Dr. LASHOF. Can you find someone to give it to you at less?

Mr. CARTER. Yes; I can get an interest rate of 8 or 9½ percent. I have a director of a bank that will lend at that rate.

Mr. KORNFIELD. There is a difficulty in his and the guaranteed student loan program, there it is about 8½ or 9 percent because it is a supplemental loan program.

Mr. CARTER. Maybe they can make the 10 percent but I will tell you 10-percent interest is rough.

Mr. ROGERS. Mr. Waxman.

Mr. WAXMAN. Thank you, Mr. Chairman.

Dr. Lashof, as I understand your testimony, you would be just as satisfied if we repealed that section completely but would accept the proposal offered by Congressman Rogers. Is that correct?

Dr. LASHOF. I think it is difficult to say I would definitely favor repeal at this time. Having passed the other and having made this commitment and having not yet developed an overall policy on how we really ought to address this problem, I personally would not be willing to say we should repeal it.

There is discussion in the Department and certainly there is feeling in some parts of the Department that a repeal should not have been passed in this form. There is more argument whether the repeal would be better than the amendment. I personally prefer the amendment.

Mr. WAXMAN. The reason I made that assumption was because you stated on page 7:

In summary, we are basically opposed to section 771(b)(3) as currently written and would prefer to see that provision repealed rather than amended on the grounds previously enumerated in our testimony. However, we do recognize that the enrollment increase amendment contained in H.R. 9280 is preferable to the existing provision because, * * *.

That is how I reach that conclusion.

Dr. LASHOF. If you listened to me, I didn't read that sentence the way it was written, which indicates that I am——

Mr. WAXMAN. It is written testimony.

Dr. LASHOF. As I was told yesterday, once Gaylord Nelson, after giving his speech, said "I don't know how you feel about what I just read, but I disagree with it."

We had an argument over that and I said I didn't want to be in that position after I finished reading it so, if you don't mind, the testimony may have been written that way, but I omitted one phrase and two other words.

Mr. WAXMAN. Now, it is a question of whether I agree with what you said or what you wrote.

Mr. ROGERS. I think it is obvious that the Office of Management and Budget approved certain statements and that is probably where it was added.

Mr. WAXMAN. There was a delay in implementing the law. I was wondering whether HEW's dislike of the law was the reason for the delay in implementing it beyond the time originally specified by Congress instead of 1977-78 to 1978-79?

Dr. LASHOF. I would like to refer that to Dr. Knouss. I was not part of HEW at that time and don't know how the timetable was worked out.

Dr. KNOUSS. Our interpretation of the statutory language because of the fact that we forward fund capitation and have done so historically, was that the language as originally written applies to the 1978-79 academic year, notwithstanding the difficulty, given the nature of the program.

That issue was challenged in a suit of *Novick v. Califano* in the Federal district court in Philadelphia and in that decision it was found in the Department's favor on the interpretation for 1978-79. We have indeed proceeded as rapidly as we could to try to implement this.

Mr. WAXMAN. My real question is why was it necessary for a lawsuit to have been brought to have HEW implement what Congress passed as a law whether you liked the law or not?

Dr. KNOUSS. It was not a matter of liking the law or not, it was a matter that we had interpreted the statute to apply to those students who would be enrolled in the 1978-79 academic year at the schools under the apportionment of positions. We did indeed move as rapidly as possible to implement the law and we did not, as it has been said, drag our on this issue.

Mr. ROGERS. If the gentleman will yield I think also it was the feeling that it was simply physically an impossibility because the tests are only given in June and September and the August 15 identifications gave too little leadtime. As the gentleman may recall, we put in an amendment which extended that.

Dr. KNOUSS. Could I add to that? Recognizing the problem about the expectation of students in terms of enrollment in the schools, we devised the implementation of this program in such a way that the schools would be encouraged to enroll these students voluntarily during this academic year and we indeed will credit the schools for having enrolled these students in the apportionment of positions.

We are implementing the program that way and I believe a fair number of the students we have identified have already been enrolled. We will know that information within the next 2 weeks.

Mr. WAXMAN. I am pleased to hear the answer you have given because the pervasive feeling I get from HEW and the medical schools is they were very much against the provisions in the Health Manpower Act, but it was the law.

It seemed to me a betrayal of the students. They were promised they would be able to come back as third year medical students. I was very concerned about that point.

Let me explore some of the underlying issues, Dr. Lashof. Does the Government have the right to insist that the schools accept a quota of less qualified applicants?

Dr. LASHOF. I doubt that there is a hard and fast rule. I will not speak completely for the Department, but would give my own feelings about this. I think I view that in a school, a medical school in particular, they are trying to meet a social need. We have manpower problems. We need to find a mechanism for the schools to work with the Government to meet those problems, and I myself feel that capitation grants or the financial incentives to get a school to meet them is fair.

Now, the trouble with saying should we require them to accept less qualified students is a broad one. It depends on how one interprets "qualified." I think most medical schools will admit we are not terribly good at determining qualified. Does that mean only an academic standing, only a grade point average, or qualified for what?

If we are qualifying students for many aspects of medical care, we may be wanting to look at their social views, their ability to relate with patients, their attitudes toward people in the health care delivery system; and those things may be just as poor.

We don't think anyone should graduate from medical school who cannot understand, comprehend and pass a good stiff curriculum, so that he goes out as a qualified physician.

Determining what is qualified on admission is somewhat tough. I think one of the arguments one could have over the question of whether the MCATS and the grade points should be the only standard is: For one for these students who have gotten into a school somewhere and then managed to prove they can pass part one of the boards, who are we to say whether they are more or less qualified than some of the students that the school may have taken that have also passed them, especially if you look at the grades, they are tough.

Mr. WAXMAN. I think I understand the answer. The reason I asked the question is that HEW has taken the position, as you say in your written testimony—

Dr. LASHOF. I read everything else.

Mr. WAXMAN. "The provision involves the Federal Government in the medical school admissions process by denying schools the right to apply academic qualifications criteria to such students, criteria they use in evaluating all other applicants."

My question is, is this a consistent position by HEW? When HEW insists on racial ethnic quotas for admission into medical schools, isn't that also insisting by the Federal Government on certain standards to be applied? Isn't there an inconsistency with HEW saying in one case we can do that but in this case we can't?

Dr. LASHOF. There may indeed be if we read that as completely dictating. I think there is a nuance between what this law reads at the moment, if it is not amended, which specifically says they cannot apply any academic qualification, against saying on the other hand that we think there are things other than just academic qualifications that ought to be included. I really support that.

I don't think any school can use just academic and grade point as a solid basis without recognizing total social needs and other things that qualify.

Mr. WAXMAN. So when you talk of qualifications of students coming back to the United States from Guadalajara we are not talking about particularly unqualified students but students that could not be accepted because of a limited number of spaces in the medical schools when they applied.

Dr. LASHOF. I would agree with that.

Mr. ROGERS. Mr. Maguire.

Mr. MAGUIRE. Thank you, Mr. Chairman.

Dr. LASHOF, I wonder what your expectations are with respect to what we will be talking about here after the 2-year program has elapsed? Will we not at that point have students in foreign medical schools who will say that they are being discriminated against because of the advantages of students who preceded them by a year or two and had gained entry to a modern medical school when they applied?

If so, what do you think will occur at that point?

Dr. LASHOF. I think you are right, any students abroad will argue that. What you should do or we should do, I am not sure I have that kind of crystal ball. We have simply undertaken a total manpower study and hope to do that within the next year to try to answer those questions.

I think there are difficult questions concerning the number of students who want to be doctors versus the number of spots we have, versus the number of physicians we think we need versus the cost issue. All these issues need to be thoroughly analyzed and we plan to undertake an indepth study of that issue this year and come up with a rational policy.

There are very rough questions and I don't think we have the answers off the top of our heads, least of all myself.

Mr. MAGUIRE. Dr. Kornfeld, am I right—I haven't reviewed all this material and the attachments—am I right that the period in which loans have to be paid back is limited to 10 years?

Dr. KORNFELD. 15 years.

Mr. MAGUIRE. Is that enough time to stretch out payment schedules to provide the flexibility that might be needed in the cases of individual students?

Dr. KORNFELD. Yes, we think so at this point. As you will note in the testimony, a student who takes the maximum loan, for example, plus defers his interest will have a major financial obligation to pay off and it is going to be a significant amount. It could run \$50,000 or \$60,000 if he defers his interest.

However, if that is spread out over a 15-year period, the amount gets down to in the order of magnitude of \$400 a month if you spread it over 15 years and that appears to us a reasonable figure at that point.

Mr. MAGUIRE. Suppose somebody wanted to go into work in which they really did not achieve anything like the average salary of physicians in this country?

Dr. KORNFIELD. I think the bill does provide some forbearance if there is some hardship that does exist after the student graduates and gets back into a repayment schedule. We have the same problem in a guaranteed student loan program where the student doesn't borrow this kind of money, a significantly less amount, but he has a smaller potential for repayment.

Our position there is also to work out situations which relieve that student who has a particular hardship.

Mr. MAGUIRE. Thank you, Mr. Chairman.

Mr. ROGERS. Thank you.

I think you have presented the position of the Department very clearly. We are grateful to you for being here and we may call on you as we write the bill. We hope to do it this afternoon.

Thank you for your presence here.

Our next witness will be Dr. Ivan L. Bennett, Jr., dean of the New York University School of Medicine and chairman of the executive council, Association of American Medical Colleges.

He is accompanied by Dr. John Cooper, president of the Association of American Colleges.

We welcome you. Your statement will be made a part of the record at this point and you may proceed as you desire.

STATEMENT OF IVAN L. BENNETT, JR., M.D., CHAIRMAN, EXECUTIVE COUNCIL, ASSOCIATION OF AMERICAN MEDICAL COLLEGES, ACCOMPANIED BY JOHN A. D. COOPER, M.D., PRESIDENT

Dr. BENNETT. I would like to summarize my statement.

To begin with throughout the statement the strong support of the association for this bill that is under consideration is reiterated. We make five suggestions for minor changes that are intended to clarify and make explicit certain provisions in the bill and I have available language for these changes.

Mr. ROGERS. I think that would be helpful if you would furnish the committee that language so it may be considered.

Dr. BENNETT. The main purposes of these changes are first to make sure that the percentage calculations will take into consideration attrition during the first 2 years and to make sure that, as is true in the present legislation, that students in certain unaccredited medical schools in Puerto Rico are specifically excluded.

We also recommend a change in language to give credit for the very large enrollments of students from the USFMS pool this year is taken into consideration as possible credit and finally, we suggest that there should be an explicit sunset clause in the legislation itself. We are well aware of the fact the report language for the present bill emphasizes the intent that the provision not be continued but we would suggest that perhaps this can be made explicit in the legislation.

Two points we wish to comment on are first the suggestion of a study by the Secretary. We believe that this is a very complicated problem, it deserves study and the association will cooperate to the fullest in any such study.

Finally, we have comments about the suggested changes in the guaranteed loan bill. We believe that at least for the time being that the authorization of the increase of interest up to 12 percent is more likely to attract the interest of the banking community, which is the real problem in this whole program.

On the other hand, I have attached a preliminary report from an AAMC task force studying this problem. Probably after the first of the year they will have an alternative which will require a great deal of refinement, it would require hearings because it involves the possibility of an interest subsidy.

I would simply say we support the present change.

We do hope in some future session there will be time to look at this alternative we are putting together with the help of the banking community.

I would like to thank the subcommittee for its willingness to consider a modification in the present legislation. I am sure that most of the medical schools in the country will cooperate in good faith in doing all they can to see to it that all qualified individuals who have been studying medicine abroad are given an opportunity to complete their medical education in this country.

Mr. ROGERS. Thank you very much.

[Testimony resumes on p. 65.]

[Dr. Bennett's prepared statement and attachments follow:]

TESTIMONY OF THE ASSOCIATION OF AMERICAN MEDICAL COLLEGES
ON H.R. 9280
BEFORE THE SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT
OF THE
HOUSE INTERSTATE AND FOREIGN COMMERCE COMMITTEE
September 29, 1977

Mr. Chairman and members of the Subcommittee, I am Ivan L. Bennett, Jr., M.D., Chairman of the Executive Council of the Association of American Medical Colleges (AAMC) and Dean of the New York University School of Medicine. I am accompanied by John A. D. Cooper, M.D., President of the Association. I will dispense with the usual formalities of describing the Association and its interest in this matter since by now you are well acquainted with the AAMC.

The Association is pleased to have this opportunity to testify during the Subcommittee's consideration of H.R. 9280, a bill to amend P.L. 94-484. Three parts of this bill are of direct concern to the Association: a revision of section 771(b)(3) of the Public Health Service Act, the medical school capitation condition involving United States foreign medical students; authorization for a DHEW study of the problems caused by the practice of U.S. citizens studying medicine abroad; and a revision of the new federally-insured loan program for health professions students.

The Association appreciates the Subcommittee's willingness to consider amending section 771(b)(3) and sees in H.R. 9280 a solution to the problems posed by this section. The Association strongly supports legislation which removes the restrictions on the

traditional academic prerogatives of defining the criteria to be used in selecting students. I believe that most medical schools will act in good faith to accept all deserving U.S. citizens interested in transferring from foreign medical schools under H.R. 9280. I cannot, of course, guarantee unanimity. In fact, a few schools continue to hold that the limited size of the pool of students available for admission to advanced standing will restrict their ability to apply their admissions criteria and that the only remedy is complete repeal of the requirement.

While in no way compromising the AAMC's support of the USFMS section of H.R. 9280, we would suggest for consideration five minor changes which we believe are reasonable and do not alter the structure and intent of the proposed legislation.

First, the bill does not provide any relief for a school which acts vigorously to increase its third-year enrollment but, because of insufficient application from eligible students or too few acceptances by those offered admission, falls a few students short of meeting the required increase. While the figure of six percent is not expected to produce this result, the possibility still exists because the size of the pool of eligible students is so difficult to estimate. The AAMC, therefore, recommends the inclusion of a provision to meet this contingency by permitting the Secretary of DHEW to grant partial waivers in those instances where he determines that despite a best effort on the part of an institution,

there was a shortfall of applications or that accepted transfer students decided to enroll elsewhere, occurrences over which schools will have absolutely no control.'

Second, H.R. 9280 would require the schools both to increase third-year enrollment by six percent and to replace second-year attrition and students who did not progress normally to the third year. The latter is a problem for those schools with a flexible curriculum in which students may spend three years between admission and entrance to the third year. We feel that the necessity to replace these students under H.R. 9280 is neither equitable nor relevant to a determination of how many places should be made available for transfer students in the third-year class. A simple change in wording would accomplish this purpose, and the Association would be happy to provide the Committee with such language.

Third, the Association is very concerned about the impact that H.R. 9280 might have on students in three unaccredited U.S. medical schools located in Puerto Rico. We estimate that currently these schools together enroll about 550 students in each class. These schools have been considered by the accrediting agency, the Liaison Committee on Medical Education (LCME), and do not qualify for even preliminary recognition in the form of a letter of reasonable assurance (LRA) of future accreditation. That is to say, these schools did not meet even the minimal LCME standards and there is no indication that they will be able to do so in the foreseeable

future. We would hope that Congress would do nothing to encourage students to attend these schools and would, by legislative language, exclude these students from inclusion in the pool available for the third-year enrollment increase. I would emphasize that under section 771(b)(3), as enacted by P.L. 94-484, students at these schools were not eligible for identification because Puerto Rico is part of the United States for purposes of Title VII of the Public Health Service Act. Therefore, we would urge that subparagraph (C)(i) exclude these students previously enrolled in a medical school in a State that is not accredited by the body or bodies approved for such purposes by the Commissioner of Education.

Fourth, H.R. 9280 does not credit medical schools for the voluntary enrollment in the current 1977-78 school year of U.S. students enrolled in a foreign medical school before October 12, 1976. According to the still incomplete results of a survey we have undertaken, information received from 64 medical schools indicates that out of 120, 45 U.S. medical schools enrolled 458 students to advanced standing in the 1977-78 academic year. Of these, 305 were U.S. students in foreign medical schools who meet the eligibility criteria of H.R. 9280, 141 were transfers from U.S. schools with two-year programs. The other 12 were U.S. students transferring from foreign medical schools who did not meet the technical criteria of H.R. 9280. Encouraged by DHEW's official program guidelines issued with the FY '78 Application Forms for Capitation which stated that schools would receive credit in their 1978-79 requirement for

enrolling these students in 1977-78, large numbers of these students were admitted for this current fall's registration. If possible, Congress should find a way to reward the schools which have made these efforts. Not do so could be interpreted as effectively penalizing the many schools which have already made this "good faith" effort.

Finally, the Association is concerned about the lack of an explicit sunset clause in the proposed legislation. We are confident that, just as in P.L. 94-484, it is the intent of this Committee that the proposed legislation provide a one-time solution to this difficult problem of accommodating the large number of U.S. students who have gone abroad for their medical education. Because of our concern about the number of medical schools that have sprung up in the Caribbean in response to this U.S. market, the Association thinks that it is essential to include a sunset provision and at a minimum to specifically reiterate the position on section 771(b) (3) stated in last year's Conference Report of the Health Professions Educational Assistance Act of 1976 (P.L. 94-484):

"It is not the conferees' intent, in including this requirement, either to encourage or condone the practice of U.S. citizens receiving their medical education in foreign medical schools if such persons intend to practice medicine in the United States. Rather, it is

intended to remedy an unfortunate situation which currently exists. . . . The Conferees intend that this provision not be extended beyond the life of the conference report and that individuals planning a career in medicine become cognizant of this fact."

The importance of this restatement cannot be too strongly emphasized. Since the enactment of P.L. 94-484, there has been a virtual epidemic of new medical schools of dubious character opening in the adjacent parts of the Western Hemisphere soliciting matriculants from the United States under what may in some instances be fraudulent inducements and claims. These enterprises hope to prosper on the assumption of many prospective students that the renewal of section 771(b)(3) is highly likely, and that under it U.S. medical schools will continue to be forced to admit foreign medical students to advanced standing as soon as they have completed two years of education abroad.

In addition, I feel obligated to call to the attention of the Committee that some schools believe that the provision in H.R. 9280 denying capitation in the third year of the program to schools that do not meet the capitation requirements for the first two years of the bill is not essential to meeting the purpose of Congress in trying to ameliorate the problems of U.S. students

studying medicine abroad. The removal of this provision would not impair the accomplishment of our mutual objectives and would eliminate any possible interpretation of punitive intent.

The second part of H.R. 9280 which is of interest to the AAMC is section 4, which directs the Secretary of DHEW to conduct a study of the problems posed by United States citizens studying medicine in foreign institutions. We strongly support this study and pledge our fullest cooperation with it.

The third provision in H.R. 9280 on which I would like to comment are the two amendments to the federally insured loans in P.L. 94-484 for health professions students. Adequate financial support for medical students is one of the most serious problems facing medical education today. It hampers attempts to broaden the socioeconomic base of the student body and provide more opportunities for underrepresented minorities in medicine. From correspondence and consultation with major banks in the United States, it seems clear that the present interest rates do not make the existing loan program attractive to them. The increase in the permissible interest to 12 percent in H.R. 9280 will undoubtedly attract more money from the private sector and for this reason is certainly desirable. The provision for deferral of interest rates until the student completes his residency is also a real advantage because the many students who must borrow to finance their education would find it difficult to make even interest payments during this period.

We are, however, deeply concerned about the large repayments required under loan programs with high interest rates and their effects on attempts to encourage physicians into underserved areas and primary care specialties where incomes are less than for subspecialists in more attractive practice locations. We have attached to our written statement an estimate of the costs for a student borrowing \$40,000 under the provisions of the amendment. If interest was deferred until completion of a residency program, over \$180,000 would have to be repaid during the first fifteen years of a physician's career.

The AAMC has a Task Force on Student Financing considering this long-range problem. They have recently released an interim report, including a recommendation for a loan program to replace the current federally-insured loan program. I have appended to my written statement a summary of the Task Force's findings. Because this proposal involves interest subsidies and needs further refinement, we recognize that Congress would not act upon it without hearings and extensive fact finding on the need for the program, neither of which is practical at this time. I hope, however, that this proposal will be given serious and full consideration when the Congress reconvenes in January.

Once again, I would like to reemphasize the Association's appreciation of the Committee's willingness to undertake this revision of the USFMS provision. We strongly support legislation

to accomplish this purpose and are eager to continue to work with this Subcommittee on resolving the problems that affect physician manpower and health care delivery in this country. Again, I wish to thank the Subcommittee for this opportunity to testify and will attempt to answer any questions the members might have at this time.

COST EVALUATION
OF
FEDERALLY INSURED LOAN PROGRAM
FOR
HEALTH PROFESSIONS STUDENTS

Assumptions

Interest: 12 percent
Repayment Period: 15 years
Undergraduate Medical Education: 4 years
Residency Training: 3 years
Grace period: 1 year
Total Amount Borrowed: \$40,000 @ \$10,000 per year for 4 years

Examples

1. Student pays interest while in school, in residency, and during grace period (8 years):

Monthly Repayment: \$ 397
Annual Repayment: \$ 5,676
Total Interest: \$ 76,340
Total Repayment: \$116,340

2. Interest accrued and compounded (6 months) while in school, in residency, and during grace period (8 years):

Monthly Repayment: \$ 1,116
Annual Repayment: \$ 12,192
Total Interest: \$142,880
Total Repayment: \$182,880

NOTE: No loan insurance charge was included in these computations

Association of American Medical Colleges

MODVOP LOAN

A Program of Insured Loans for Students of
Medicine, Osteopathy, Dentistry, Veterinary Medicine,
Optometry, and Podiatry

The following program attempts to incorporate the more desirable features of the new Federal Guaranteed Loan Program For Health Professions Students and the existing Guaranteed Student Loan Program. The model presented is based upon the assumption that it is difficult to justify federal subsidies to underwrite the cost of medical education because of the high expected earnings of physicians. At the same time it is quite clear that as the price of attending medical school increases, it will be extremely difficult for students to borrow to meet the cost of their education and pay the interest while they are in school. The alternatives are either to accrue and compound interest or to provide an in-school interest subsidy. The

AAMC proposes a program which would provide an interest subsidy paid by the federal government while the borrower is in school but limited to students who can demonstrate financial need.

Briefly, the program as proposed would have the following characteristics:

1. To assure the availability of capital, there would be a government guarantee to the lender.
2. Schools, financial institutions and states could be lenders under the program. The Student Loan Marketing Association (SLMA) would provide the source of funds either in the form of a forward commitment or as a secondary market.
3. Such a program would parallel the present Guaranteed Student Loan Program to ease administration and eliminate confusion.
4. Maximum debt for medical students would be \$50,000 related to the total cost of education. Borrowing could not exceed \$10,000 in any 12-month period.
5. The interest rate would be the same as that under the existing Guaranteed Student Loan Program including the special allowance (which is an amount in addition to the student interest paid by the federal government to the lender).
6. Student having a demonstrated financial need would qualify for a federal subsidy of full interest while in school. Students without demonstrated financial need who elected to borrow would pay full interest from the point of disbursement. In both cases repayment of principal would be deferred.

7. Unlike the Guaranteed Student Loan Program, there would be no special allowance subsidy during the repayment period.
8. The interest rate would be set annually as under the present Guaranteed Student Loan Program.
9. Repayment of the loan for all borrowers would begin upon graduation from medical school. During the years of residency when incomes are low, there would be an optional repayment plan where payments would be limited to 6.5% of the resident's stipend. Any interest due but not paid in its entirety during the residency years would be accrued and compounded.
10. There would be a fixed graduated repayment option offered to the borrower. Also, the number of years in pay-out would be based upon the size of the debt, e.g., a ten to fifteen year payout for debts up to \$15,000 and a twenty-year payout for debts in excess of \$15,000.
11. There could be provision for deferral of interest, which would be accrued and compounded, for students engaged in advanced study who do not have access to sufficient income to make the interest payments.
12. There would be an insurance premium of up to 1% deducted from the loan at the point of disbursement.

A simulation of the proposed loan program has been done. The simulation provides profiles of both individual student loans and of total program costs. The major parameters of the student loan simulation are listed below. Specific assumptions are included with the simulation data.

1. The simulation was done for three populations:
 - 1) 64,000 medical and osteopathic students
 - 2) 42,000 students for all the other health professions
 - 3) All 106,000 health professions students
2. Simulations are provided for interest rates of 8% and 9%.
3. Within each interest rate, total program costs were computed only for a graduated repayment option. A linear method of graduating repayments was used.
4. Within each interest rate, individual student loan profiles were done for loans of \$15,000, \$30,000, and \$50,000.

Mr. ROGERS. I think your statement is most helpful and we will look at the suggested amendments.

Mr. Carter?

Mr. CARTER. Thank you, Mr. Chairman.

I know that you state here that some Puerto Rican schools don't have acceptable standards and you would recommend that these people not be included in this program, is that correct?

Dr. BENNETT. Yes, sir, as a matter of fact there are three schools in Puerto Rico at the present time that are not accredited. Under the Public Health Act Puerto Rico is considered as part of the United States and in the existing legislation those schools were excluded because they are the only unaccredited medical schools in the United States under public health law.

The present bill as drafted does not exclude those simply because it doesn't use the expression in a State, which under the Public Health Act would exclude them.

Mr. CARTER. Do you ask that we exclude them?

Dr. BENNETT. Yes, we ask that you modify a couple of words that will exclude them the way they are excluded in present legislation.

Dr. COOPER. One of these schools has been cited by the Postal authorities for mail fraud. They still continue to operate, however.

Mr. CARTER. The schools together have 550 students in each class, that is quite a large number of classes.

Dr. BENNETT. They have been growing very rapidly there, and not only there but the whole Caribbean.

Mr. CARTER. Almost a Guadalajara.

Do you think the interest will have to go to 12 percent?

Dr. BENNETT. As you heard the intent is to implement it at 10 percent but, as I understand the legislation, it would authorize them to go as high as 12 percent. The basic difficulty is the banking community doesn't regard this as an appropriate investment so it is not attractive to them and doesn't furnish the access to the private capital market as it was intended to do.

Mr. CARTER. Even though it is a guaranteed loan?

Dr. BENNETT. Well, sir, I can only tell you what bankers have told us. If they have to retail these as individual loans rather than wholesale them, realizing that loans are for a period of 15 years, and the interest rate that they think they can earn, they believe there is a better way of investing their money.

Mr. CARTER. I guess that would be right—12 percent of \$40,000 for 15 years, though, is a considerable amount of money.

Dr. BENNETT. Yes, sir, and I have attached an estimate of the repayment. If an individual borrowed \$40,000, the interest were deferred and he paid it back over 15 years, he would pay back a total of \$182,000.

Mr. CARTER. Thank you, Mr. Chairman.

Mr. ROGERS. Mr. Waxman.

Mr. WAXMAN. Some medical schools claim capitation programs in the present law and the proposals we are considering today will over-enroll the American schools and affect the quality of an American medical education. Do you think that fear is justified?

Dr. BENNETT. I think it is a marginal fear. I base that on the fact last year almost 500 students falling into this category were voluntarily enrolled and we have reason to believe on the basis of an uncom-

pleted survey that even more than that many students are enrolled this year.

There are indications from this pool that once students are enrolled and given a little remedial or enrichment training they can complete the work acceptably. The problem is the inability to identify the size of this pool. That is because we can't extract from Guadalajara and places like that the number of students to enable us to do this exactly.

They are under no obligation to supply the association or anyone else the numbers we would like to have. It is because of some real worry about what the size of this pool will be that that possibility you referred to is mentioned from time to time.

Mr. WAXMAN. But you think the proposal being offered by Congressman Rogers that will solve the problem by allowing the schools discretion?

Dr. BENNETT. I think it will offer the opportunity to those students whose hopes have been raised by this legislation to have a fair chance to complete their education in an American medical school. I think also, as mentioned in testimony by the Department, it makes each school responsible for what it can do rather than taking the overflow from schools that decided not to participate. It does remove the possibility that one will overcrowd facilities because you have to apportion the whole pool among whatever schools accept capitation.

Dr. COOPER. There are some schools that don't have the facilities and clinical resources to take on large numbers of students. We have just taken two schools off probation. One was put on probation because it had inadequate resources to handle the students presently enrolled. In cases where the academic quality of the program would be compromised, a waiver is possible.

There will be schools that cannot accept these students.

Dr. BENNETT. Rutgers is a specific example which, for a number of years, has taken more students in the first 2 years than it has clinical facilities to complete their training. Some students have to transfer to other schools. We transfer a fair number of these students to my own institution.

Mr. WAXMAN. You think, if this bill becomes law and the transfer is successful for third year students, that we might contemplate making it a permanent program instead of a short lived 2-year program?

Dr. BENNETT. I would hope not. That is why we think there should be a specific sunset clause. The report language for the present bill certainly declares the intent of Congress that this be a, so to speak, one shot affair. I believe the importance of the suggestion in this new bill that there be a thorough going study by the Secretary will enable us perhaps a year from now to discuss this on the basis of a great deal more information.

What I have in mind is this, is part and parcel of the problem of distribution of physicians in underserved areas, part and parcel of the special distribution problem, part and parcel of the problem of equal educational opportunities and a variety of other things I think have to be considered in concert if we really are going to come up with a health manpower policy for this country. I won't go into the details, although it was mentioned what the implication is if we continue to expand the supply of physicians in terms of cost of medical care in this country.

I don't know what the right numbers are but we can't have it both ways. I believe this needs to be submitted to the sort of study suggested in this bill and I can assure you that the association will cooperate to the fullest in such a study.

Mr. WAXMAN. How ironic that the health manpower bill originally tried to provide society with more doctors because we have a shortage, now you are suggesting that the health capitation restrict the doctors in our society.

Dr. BENNETT. I don't say that at all. I am saying we should set out to achieve what we set out to achieve in this country. The number of medical schools have increased by about 50 percent and that has come about because of the health manpower bills and we should evaluate whether that should be the purpose in the future.

Mr. ROGERS. Mr. Maguire.

Mr. MAGUIRE. Thank you, Mr. Chairman.

On top of page 7 of your statement, you are suggesting at the bottom of page 6 a provision that capitation be eliminated in the third year of the legislation if the requirements of the legislation have not been achieved in the first 2 years.

You are suggesting that we do that and you are saying the removal of this provision would not impair the accomplishment of our mutual objectives.

I am wondering how you can be so confident that if the stick were removed, we would still get the job done?

Dr. BENNETT. I think if the purpose of the legislation is indeed to provide as many places as possible for these individuals to transfer into—that the failure of the school to participate in the first year should not preclude its ability if it plans to participate in later years. There will be that many more places.

Mr. MAGUIRE. This is only a 2-year bill.

Dr. BENNETT. Excuse me, I should have said in the second and third year because the first year has gone by. The point I am making is there may be some schools that would not participate in the first of the 2 years that might in the second year. This bill says if they don't participate in the first of the 2 years, they won't be allowed to participate in the second.

What I am saying is, taken all together, that that particular provision is not really essential and it is not one of our five recommendations.

I simply call this situation to the attention of the subcommittee because it can be interpreted as being punitive. I would like to see legislation passed that won't come under criticism because it is alleged to be punitive and encroaching on academic rights.

I have to tell you that is a kind of political suggestion which I probably have no business making to the subcommittee.

Mr. ROGERS. We are used to that.

Mr. MAGUIRE. Which of your suggestions did you feel you had no business making?

Dr. BENNETT. I think that in view of the hue and cry over existing legislation among the academic institutions that some of our suggestions are intended to tailor that language so as not to impair the purposes of the bill, but make it acceptable in pharaseology to the quite concerned academic community that will have to implement it.

Mr. MAGUIRE. We are familiar with that particular problem here. I know you didn't emphasize this point in your oral presentation.

Dr. BENNETT. It is not one of the five actual changes that the association recommends. I think it is something I would like to see the subcommittee make a decision on.

Mr. MAGUIRE. I think one would be hard pressed to sustain the argument that we are going to get the same results if there are no negative consequences for failing to achieve those desired results.

Dr. BENNETT. Mr. Maguire, I think you should understand what I am saying. Let's say there are five schools that decided that they will not participate in the first year but will in the second year. This bill says, well, they can't participate in the second year. That means there are five sets of slots under a 2-year program that will not be available.

So, in a sense, if a school should decide not to participate in the first year and automatically can't participate in the second year, there are going to be that many fewer places available for transfer. That is what I am saying.

Mr. MAGUIRE. I think we can pursue this in another context.

On page 3, you indicate your concern with the requirement that second year attrition be subject to the substitution of medical students from abroad and you say there is a problem with some schools that have 3 years instead of 2, or may have 3 years instead of 2 leading up to the clinical.

Dr. COOPER. For some students.

Mr. MAGUIRE. You say a simple change in wording would do something here. I take it you are not suggesting that schools in that situation should be relieved from the obligation to substitute in, are you or are you? You say it has to be technically applied so we don't get caught.

Dr. BENNETT. If a school has a first year enrollment of 100, they would expect to add 6 students in the second year as described here.

Dr. COOPER. I think the problem comes from the fact we have many programs, and as Dr. Lashof says, we use a variety of criteria for selecting students for admission into medical schools.

If you have a student entering the second year but he takes 2 years to get to the third year, then this bill calls for the 6 students increase to be over those that entered the second year class. That student then would have to be replaced even though the school has in this situation arranged this program to accommodate these kinds of students cognizance is taken that some of the students will not progress normally and the class size is adjusted to that.

What we are asking is that the required increase be based on the number of students leaving the second year to enter the third year. We don't think schools should be penalized for accommodating students that do not make it normally in the school.

Mr. MAGUIRE. Suppose it were dropped out of the proposal?

Dr. BENNETT. It would not change the 6 percent entering the class.

Mr. MAGUIRE. You are saying let's have the 6-percent foreign?

Dr. BENNETT. Yes.

Dr. COOPER. He would not be replaced in the third year if he did not go from the second to the third year.

Mr. MAGUIRE. The bill calls for 6 percent plus whatever attrition along the way. You are saying wipe out the stuff about attrition and stick with the 6 percent, is that your proposal?

Dr. BENNETT. Most of the attrition occurs in the first year. There is only 1½-percent attrition in medical schools in the United States. Most attrition will not be affected by the change we are recommending because it is taken account of in the present amendment which is offered.

It is only those students which are not progressing that it would take into account and, therefore, not penalize schools, as I said, that have taken special efforts to accommodate this group of students.

Mr. MAGUIRE. It is hard, from what you have said in your statement, for me to figure out what you want to do. Do you have specific language?

Dr. BENNETT. Yes, we do.

Mr. MAGUIRE. Then we will have to look at that.

Mr. ROGERS. Mr. Scheuer, any questions?

Mr. SCHEUER. I am sorry I came late.

Let me say I am interested in the 1½-percent attrition. That must indicate that you are only taking the absolute sure-shot winners and you are not taking any risks at all. It seems to me that there must be a pool of people just under that who might have incurred, if they had gained entry into medical schools, 3-percent attrition rate, twice the attrition rate, four times the attrition rate, even a 6-percent attrition rate, which is a pretty cost effective way of educating people in our education system.

I can't help thinking a 1½-percent attrition rate indicates it is too tight a system and an awful lot of people who could have made it, who would have been next in line are not getting a chance to get a medical education.

I am not saying that to be pointing the finger of blame at anybody this morning. I think it is society's fault and I think that figure is a challenge to this committee.

Dr. COOPER. Except in order to accommodate an additional group of students, which there are and we have said publicly on a number of occasions, there are students not accepted in medical schools that could probably qualify and pass the course, no question.

The real question comes in the earlier discussion both by Dr. Lashof and Dr. Bennett, how many physicians do we want to produce?

Dr. BENNETT. I would like to say you are right, the system is too tight. You can decide whether it is because there aren't enough places in medical schools or too many applicants, but the system is too tight.

Mr. SCHEUER. Maybe we have to redefine what it means to play a role in the health services system. I don't say everyone of those people who may be qualified but are not accepted have to make \$75,000 or \$100,000 a year and have to be the trigger where society spends \$300,000 a year for every doctor or whatever the figure is.

Once there is a doctor, you can be sure society spends about \$250,000 or \$300,000 for services provided by him and it is almost guaranteed that he can generate his own demand for such services.

I don't say every physician has to make \$75,000 or \$100,000 a year. If we are going to recast the health service system the way I think we should, if we get a way from tertiary health care, towards ambulatory care and neighborhood counseling, maybe many will end up as physician extenders working in the neighborhood, counseling people, working in factories, trying to help people modify their behavior in smoking, diet, drugs, alcohol, involvement in violent

situations and maybe they will be satisfied, a lot of them, to make \$25,000 or \$30,000 a year.

They may, if we can work out a system for them, get into the preventive end of the health spectrum. They should not trigger \$300,000 apiece in sickness cure expenditures. Each of those \$30,000 investment, however, may cause a sizable reduction in sickness expenditures. I hope this committee will give some thought along that line.

Dr. BENNETT. I believe the study would address itself to general health power.

Mr. ROGERS. Can you tell me how many foreign medical students were licensed to practice medicine this year?

Dr. COOPER. I am sorry, we don't have that number. It is a substantial number.

Mr. ROGERS. What about the year before? What are the latest figures we have?

Dr. COOPER. It was about one-third of all those licensed to practice—one-third to one-half.

Mr. SCHEUER. It would be interesting to know how many new lawyers are supported by each new doctor in this country.

Dr. BENNETT. It is well known the country has a full employment situation for lawyers.

Mr. ROGERS. Dr. Carter.

Mr. CARTER. I thank the gentleman for yielding.

If they borrow the money, as many do, and pay it back after the residency, how much would he owe?

Dr. BENNETT. According to this calculation—

Mr. CARTER. It would be about \$68,500?

Dr. BENNETT. I believe so.

Mr. CARTER. You talk about limiting what he makes. We have to think of many other things. Do you have an estimate of the number of medical schools likely to apply for a waiver of the enrollment increase requirements?

Dr. BENNETT. I can't give you that estimate, but Dr. Knouss is probably in a better position to give you that estimate of how many schools would apply for a waiver.

Mr. Knouss, what would be your estimates?

Dr. KNOUSS. We estimate 20 to 30 schools that will be requesting a waiver. It may be substantially more than that.

Mr. CARTER. How many do you expect will refuse to participate in the program?

Dr. COOPER. I like to clarify. Those are the ones that would apply for waiver under current law, not under H.R. 9280. I think there will be far fewer applying for waiver under H.R. 9280. I think relatively few schools will not participate.

Mr. CARTER. You think some will not?

Dr. COOPER. Some cannot, they will apply for a waiver, but I think some will not participate.

Mr. CARTER. How many third year transfer medical students are from the Cotrans program?

Dr. COOPER. We have the data, sir, on page 4. In 1978—in the 1977-78 academic year the information we have received from 64 schools out of 120 they have enrolled 458 students of advance standing; of that number 305 were U.S. foreign medical students who meet the

requirements of the present H.R. 9280 and the requirements of the present bill, 141 transferred from 2 year schools and the others transferred from foreign medical schools not meeting the requirements.

Mr. CARTER. What is your association's position on the bill's mandatory third-year enrollment increase, whether it be 5, 10, or 6 percent?

Dr. BENNETT. What is my impression of the policy implications?

Mr. CARTER. Yes. What is your position on the policy implications of a mandatory third-year enrollment increase?

Dr. BENNETT. We believe that type of mandate is better and will accomplish the purposes and we base that on the fact that for prior manpower health bills there was a mandated increase in class to which the schools responded.

Here it is changed from the second- or third-year class to draw from the individuals who have been given every reason to believe they will have the opportunity to complete their medical education in this country.

With the sunset clause they will be given equity and that purpose will be accomplished and we will address ourselves to this study that is related to this and other problems.

Mr. CARTER. What information do you have on the training programs of other foreign medical schools?

Dr. COOPER. None.

Dr. BENNETT. We have no specific information but I would be glad to generalize and say in the vast majority of instances they don't approach the quality of schools in this country.

Mr. CARTER. What about Canadian schools?

Dr. BENNETT. They are practically American schools, accredited by the same system.

Mr. CARTER. What about English schools, schools in Germany and those areas?

Dr. BENNETT. Those schools you are referring to are schools which at the present time by and large exclude Americans from enrollment.

Mr. CARTER. How indicative of a good education is the fact that a student can pass part one of the Medical Board of Examiners' examination?

Dr. COOPER. It doesn't substitute for all the other measurements of quality we have in this country which go to evaluation of individual courses, letters of recommendation from faculty members that one learns to rely on, interviews, so it is only one single snapshot of a student rather than the extensive data we have on the students that are enrolled in our schools.

Mr. CARTER. This is my last question. What is your view of the affirmative action program?

Dr. BENNETT. My view is that the attempts to expand minority enrollment in medical schools have been successful.

Mr. CARTER. Do you support affirmative action programs for minorities?

Dr. BENNETT. I certainly do support it, yes, sir.

Mr. CARTER. Thank you.

Dr. COOPER. In 1974, 39.6 percent of all new licensees were from foreign medical graduates. That does not include Canadian since they are accredited by us and we consider them the same.

Mr. ROGERS. How many U.S. citizens?

Dr. COOPER. I am sorry, we don't have that. It is very few of this total pool. This comes out around 16,000 total new licensees and the problem is that it doesn't break it down into U.S. citizens and non-U.S. citizens, but the number of U.S. citizens compared to the FNG's before the enactment, that may change with this manpower bill.

Most of the licensees were FNG's.

Dr. LASHOF. In 1974 the figure was 6,000 foreign medical graduates of which only 286 were U.S. born.

Mr. ROGERS. That is the latest figure I suppose we have.

We will place that in the record without objection.

[The material referred to follows:]

NEW LICENTIATES REPRESENTING ADDITIONS TO THE MEDICAL PROFESSION,
BY COUNTRY OF GRADUATION: 1966-74

Year	Total	United States and Canadian	Foreign medical graduates		Foreign medical graduates as percent of total
			Total	U.S.-born	
1966	8,851	7,217	1,634	252	18.5
1967	9,424	7,267	2,157	279	22.9
1968	9,766	7,581	2,185	235	22.4
1969	9,978	7,671	2,307	179	23.1
1970	11,032	8,016	3,016	198	27.3
1971	12,257	7,943	4,314	210	35.2
1972	14,476	7,815	6,661	240	46.0
1973 ¹	16,689	9,270	7,419	299	44.5
1974 ¹	16,706	10,093	6,613	286	39.6

¹ Telecom with AMA, January 1976.

Source: "Medical Licensure Statistics for 1972," Council on Medical Education of the American Medical Association, Sept. 1, 1974.

Mr. ROGERS. Thank you so much, we are grateful to you for being here and for setting forth the position of the AAMC and we also appreciate the cooperation, Dr. Bennett, that you and Dr. Cooper have extended.

Thank you for your presence.

Our last witness this morning is Dr. Robert Braun on behalf of the California Concerned Parents Association.

We welcome you. You may proceed as you wish.

**STATEMENT OF ROBERT BRAUN, M.D., ON BEHALF OF THE
CALIFORNIA CONCERNED PARENTS ASSOCIATION**

Dr. BRAUN. Mr. Chairman and members of the subcommittee, I am pleased to present testimony this morning on behalf of the California Concerned Parents Association and others interested in the fate of those sections of Public Law 94-484 that deal with the return of Americans from foreign medical schools.

We offer the following comments on H.R. 8519 and H.R. 9280.

In addition, I am a graduate of Guadalajara and presently in my second year of residence in Los Angeles County and licensed to practice medicine in the State of California.

H.R. 8519 would have permitted U.S. medical schools to fill their transfer quotas from almost any source including alien medical students and graduates totally abrogating the legislative intent of Public Law 94-484 and the problem of Americans in foreign medical schools which it sought to solve.

This latest revision is an improvement over H.R. 8519 in that it once again is specifically aimed at the transfer of U.S. citizens to U.S. medical schools from foreign medical schools, per legislative intent of Public Law 94-484.

The question of augmenting U.S. medical school enrollments is an issue which should be addressed separately and not tied to what we see as a totally distinct and different issue. This is not solving the problem, but only creating an uneven trade-off pitting citizen against citizen, American against American, under less than equal circumstances.

As with H.R. 8519, we also raise the objection with this measure that nowhere in the language of H.R. 9280 is there contained a requirement that the U.S. schools must indeed admit that specified number of students for which assurances have been given. It would appear to us to be all too easy for some medical schools to establish as H.R. 8519 now reads, such highly structured admissions programs that few if any Americans from foreign medical schools could be seriously considered. These schools could then predictably go back to HEW saying "well, we really tried to fill out our quotas, but there just were not enough students who met our criteria."

Which brings us to the next point that while we do not oppose the imposition of admission criteria by the medical schools for the transfer of students, we do oppose the imposition of unrealistic and unreasonable standards, especially if those standards were to be more stringent than those which allowed admission to that school of the lowest ranked first-year student in that third-year class to which the positions are being added.

It should be remembered that by medical educator's own admissions at least 50 percent of those rejected in recent years for medical school admissions were not rejected because of lack of qualifications, but because of lack of space in a vast majority of the instances.

Such an unrealistic and unreasonable standard to impose, for example, would be a requirement with regard to place of residency. Public Law 94-484 specifically prohibits using place of residency as an admissions requirement. We would request that such a prohibition be continued in any amendment.

Thus, each student has an equal opportunity to compete for admission, and each State or school shares equally in their education.

Conspicuous by its absence in H.R. 9280 is any mention of the HEW administered eligibility process contained in Public Law 94-484 which at least received lip service in H.R. 8519. While no doubt fraught with many bureaucratic difficulties, the original eligibility concept did provide the following benefits.

First, it recognized the problem as nationwide in scope, broader than just one school or state; second, it provided a means by which the burden of the solution was shared by the majority of schools and States; and third, it provided a common national yardstick—National Boards Medical Exam Part I against which to measure eligibility, thus, assuring students of an equal opportunity to compete nationwide for admissions as well as providing a single basic known understood and accepted standard of performance rather than the unknowns of personality, geography, nationality, individual medical schools.

If some vestiges of the original eligibility concept cannot be retained, we would request at the very least that some provision for a clearing house type of operation be set up, so that students may be apprised of any or all schools, still seeking to fill openings created by this bill.

This would serve to eliminate the potential flood of paper caused by every student applying to every medical school just so that he or she makes sure that that one school is not missed.

We would urge that the last word of paragraph "B" be changed from "less" to "greater." Let's maximize the opportunities, not limit them. After all, this is only a 2-year, one-time effort.

We have a question regarding wording and/or interpretation of "in such year" in paragraph C, number ii.

Does "such year" refer back to the immediate antecedent phrase—"full time second year students . . ." If so, does that not have the effect of limiting eligible students to only those in the second year of a foreign medical school, and eliminating third or fourth year students from eligibility?

We would urge, if such is the case, a return to the wording of Public Law 94-484 regarding "completion of 2 years of medical school" which would permit third and fourth year students to be considered as well.

Again, let's maximize opportunities, not limit them.

Mr. ROGERS. Thank you very much, Dr. Braun, for a very helpful statement. We will look at your suggestions and particularly the questions you have raised about the language.

Mr. Waxman.

Mr. WAXMAN. Thank you, Mr. Chairman.

I also appreciate the testimony you have given us and you have raised some important questions I would want to see answered.

This bill eliminates any infringement on academic freedom in allowing medical schools to admit people based on the qualifications they set. In the third year they can look at a pool of Guadalajara students who could meet these standards. As long as that pool will bring in those students to fulfill the promise we made when we adopted the health manpower legislation it seems that is the goal we have to make sure is met. If some of those points you raise are going to be obstacles to meeting that goal, then I think we ought to have a full explanation of them to see whether they are justified or not.

I thank you for bringing these points to our attention.

Mr. ROGERS. Thank you.

We are grateful to you for making the effort to be here before the subcommittee.

I believe that completes the witness list. The committee will meet at 2 to take action on the bill.

The subcommittee stands adjourned.

[The following letter and statement were received for the record:]



AMERICAN MEDICAL ASSOCIATION

535 NORTH DEARBORN STREET • CHICAGO, ILLINOIS 60610 • PHONE (312) 751-6000 • TWX 910-221-0300

September 28, 1977

JAMES H. SAMMONS, M.D.
Executive Vice President
(751-6200)

Honorable Paul G. Rogers
House of Representatives
Rayburn House Office Building
Room 2407
Washington, D. C. 20515

Dear Congressman Rogers:

We understand that your Subcommittee plans immediate hearings on H.R. 9280, a bill which would modify existing provisions in the manpower law relating to the return of U. S. medical students who had studied in foreign medical schools. That bill was introduced only last Friday, and is still not generally available.

The current law contains a provision attaching certain conditions that the U. S. medical school must meet in order to be eligible for capitation grants. That provision, which has come under widespread criticism, was included in the final bill which became law but was not the subject of public hearings. A recent proposal, H. R. 8519, aimed at rectifying the inappropriate provisions, was withdrawn from scheduled hearings after it, too, received criticism.

We understand that H.R. 9280 will now be the subject of hearings on Thursday morning, September 29th and will be marked up later that same day. However, the bill has not even been generally accessible for review. Accordingly, we feel impelled to express our view that the hearing schedule being given to this important measure is not consonant with appropriate notice procedures.

We are hopeful that legislatively created problems with respect to this subject matter affecting U. S. medical students could be avoided. The chances that problems could be avoided would be greatly increased if adequate notice of hearing on specific legislation was provided after the legislation becomes available.

Sincerely,

James H. Sammons, M. D.

Testimony of Frederick J. Ramsay, Ph.D.
Associate Dean and Director
Office of Governmental Liaison
University of Maryland, School of Medicine

Mr. Chairman, members of the Committee, I am Frederick Ramsay, Associate Dean and Director of the Office of Governmental Liaison at the University of Maryland, School of Medicine. I am here today to bring to your attention what we perceive to be a rather striking inequity in H.R. 8519. I might add, as a preamble, that my school was an active supporter and participant in the formulation of P.L. 94-484 and while we were not in agreement with the way in which subsection 771(b)(3) was drawn and the requirements it placed on schools, we were prepared to meet its mandate. We could do so for two reasons.

As a state school we are perhaps somewhat more sensitive to the effects the interplay of government and academia can produce and the pressing need to solve apparent constituent problems with legislation which prescribes academic policy. (We usually don't like it but we understand it.) In addition, my school recognized early on the problem this subsection sought to solve and had already taken steps to remedy it. To be specific, we began in 1973 to accept transfers into our third year (particularly Maryland residents) who were studying abroad. In our first year of this program, 1973-74, we accepted two students. This small pilot study revealed that students trained outside our system could satisfactorily compete with students who were regularly admitted to the class, but they did require some sort of preclinical training. The following year we mounted an intensive short course in Physical Diagnosis and the Behavioral Sciences and accepted 10 transfers. In the succeeding years (1975-76, 1976-77, 1977-78) we accepted 12, 14 and 12 respectively. In every case since that first

small experiment we discovered that with the preclinical course, students so accepted would compete on parity with our regular students in both the undergraduate curriculum and for residency training positions. I might add the applicant pool far exceeded our ability to accept. But if we insisted on passage of Part I of the National Board test and 6 semesters at Guadalajara, the pool was one we could deal with.

Our problem with H.R. 8519 (and the alternatives which have been suggested) is that its provisions will put us, and schools like us—those who have already assumed a high level of responsibility for "bringing our students home" in a form of double jeopardy. Under the provisions of section (A) of the bill we must calculate our required increases in third year enrollments on one of two base years: 1976-77 or 1977-78. If we have already filled or overfilled our class with the students the law wishes to serve in either or both of those years, we will be required to accept nearly twice as many in the future. For example, in the two base years cited the University of Maryland, School of Medicine had the following experience:

In 1976-77 we had 167 "regularly admitted students" advanced from the second to the third year. To that we added 14 transfers to produce a class size of 181 and reduce our attrition rate below 0 to -6.

In 1977-78 we had 160 "regularly admitted students" advanced and we added 12 transfers to produce a third year class of 172 and an attrition rate of 0.

If we had not taken the initiative to help students forced to study abroad when we did; if we had waited for a governmental mandate, as it were, our obligations in 1978-79 under H.R. 8519 would be 177 third year students including the mandated 10 transfers. Because we anticipated the government in this area, we will be required to increase our class to 191! That may be good news in Guadalajara but it puts us in an impossible position. We cannot mount a program to integrate some 20 to 25 transferees into our already overtaxed clinical years.

The alternative language suggested in H.R. 9280 would require us to increase our third year class size next year by an increment of 6% of the base year 1977-78 third year class which would be applied to the second year enrollment of first time second year students. This complex formula has a certain air of elegance about it and no doubt will satisfy many critics of the original legislation and 8519. Unhappily, it will not serve us very well. We have, as I have mentioned previously, attempted to maintain our class size at zero attrition. In addition, we have a program designed to provide more time to complete the first two years for those students who cannot proceed as rapidly as their peers. Our thought has always been that if we thought enough of the students to admit them in the first place, we are obliged to do whatever we can to hold on to them. In addition, whenever we can, we try to accept transfer students into the second year as well. This year we began the year with 173 first time second year students advancing from the 1st Year. To this number we added six transfers and one student returning from a years leave of absence. Thus our first time second year student body will be 180 to which we must add 10 or 11 students (6% of 172) to create a third year class of 190 or 191. Which as you can see puts is back where we were in the first place.

There are several ironies in this situation. The one that comes immediately to mind is that of being ahead of the times. Instead of rewards or at least acknowledgment for past performance, we are to be treated in a somewhat punitive fashion. Another is that my school is already on a schedule of incremented increased in class size to a final complement of 200 entering students. Our policy has been to mirror in the 3rd year any increments in the first and so we will ultimately exceed even the mandatory 191—without a nudge from the government. We cannot, however, manage an increment of the order of magnitude this bill will require, in the time allowed. It would appear from this that there are times when, if simply left alone, we could exceed the performance governmental action would require.

Mr. Chairman, to recapitulate, we are prepared to meet the mandate of P. L. 94-484 albeit we have some concerns about the provisions in section 771(b)(3). We are prepared to accept any reasonable substitute but H.R. 8519, 9280 as drafted will work an unnecessary hardship on my school, and I venture to say several other schools with a similar past policy for taking substantial numbers of transfer students. We find this situation to lack equity and, therefore, urge some remediation. I understand your disinclination to amend P.L. 94-484 in the first place and a greater disinclination to tamper with the bill before us today. Nonetheless, I must urge you most strongly to consider an amendment which would allow us to continue our policy of accepting foreign medical school students in our third year at a reasonable and equitable level. We urge the adoption of new language in the bill as follows:

In H.R. 9280 in the provision for calculating the number of students under (B)(ii) after the line ending. . ."number of full-time second year students enrolled in such school in the preceding school year."

add, who subsequently completed the second year and enrolled in the third year class of such school.

Also, Mr. Chairman, I believe it would be appropriate to consider the provision of additional waivers if the pool of students available and acceptable falls short of the spaces this bill creates. Clearly it is not the intent of this bill to withhold capitation funds if the increases required are not met because there are not enough students to go around.

Mr. Chairman, I believe that such language would be consistent with the intent of the original legislation (P.L. 94-484). I believe it will assign in a fair and equitable manner the responsibility for solving the problem it addresses and more importantly will do so without the heavy handed approach drafted into the original legislation. I urge this language or its equivalent be adopted.

Frederick J. Ramsay, Ph.D.
Associate Dean and Director
Office of Governmental Liaison
University of Maryland
School of Medicine

FJR:pb

[Whereupon, at 12:25, the hearing was adjourned.]

