

**Testimony  
Health Services Committee  
Thursday, October 9, 2014**

Good afternoon Chairman Lee and members of the Health Services Committee. My name is Brenda Zastoupil, representing the North Dakota University System (NDUS). I am here today to provide comment relating to the bill draft for repayment of Professional Student Exchange Program (PSEP) benefits, and to provide information relating to the tuition benefit program for medical students attending the University of ND School of Medicine and Health Sciences (SMHS).

**Proposed Bill Draft Review with BND and NDUS**

As was requested of our office by Senator Heckaman, we have had communications with the Bank of North Dakota regarding the proposed PSEP repayment bill at hand. The Bank of North Dakota and the North Dakota University System have discussed in length the structure of a repayment feature.

The NDUS does not have a position on whether the PSEP program should include a repayment provision or not, we leave this to your legislative judgment. However, should you determine a repayment provision is appropriate we support the requirement of an annual note in the form of a DEAL Loan through the Bank of ND (BND). In other words, eligible PSEP students would be required to pursue a DEAL Loan from the Bank of ND each year to cover the cost of the PSEP slot, including the portion the state currently pays to the out-of-state institution on behalf of the student. If the student returns to the state after graduation for work, funds appropriated to the NDUS would be used to pay off the "state" portion of the DEAL loan. If the student does not return to ND for work, they would be personally responsible for re-paying BND the full DEAL Loan amount. This structure provides the following benefits:

- Clearly defines the rights and responsibilities of the student up front, including the terms and conditions of the note.
- Provides greater ability to enforce a repayment feature if necessary.
- Better consumer information and disclosure on an annual basis.

Should you proceed with an upfront DEAL Loan, it will be important to also consider the following items:

- Interest accrual: Will the student be responsible for interest accrued on the DEAL Loan while the student is in school or thereafter?
- Underwriting parameters: Since the student is signing a loan note annually, consideration of the application of standard underwriting practices would need to be considered.

Other provisions that may warrant additional consideration are:

- Transition period: What is a reasonable amount of time for an individual to attain a job or establish a practice? This should be balanced with the administrative work required to monitor students over a lengthy period of time, and also, perhaps other similar programs (i.e. SMHS RuralMed Program which provides a 6 month grace period plus an additional 18 month forbearance period.)
- Forbearance and cancellation parameters: Consider expanding options to mirror the Bank of ND DEAL Loan parameters to include situations such as permanent disability or death.

NDUS would be happy to work with the committee, the Bank of ND and other appropriate persons, to structure the bill in a manner that best accomplishes the goal of the committee and the PSEP program.

### **UND SMHS Tuition Scholarship Program**

Some medical students at the University Of North Dakota, who participate in the RuralMed Program, have similar requirements for payback of their tuition benefit as the proposed Health Services PSEP bill. The University of North Dakota SMHS administers a tuition scholarship program for medical students who agree to return to the state and practice in family medicine. This program is called RuralMed. RuralMed is a state sponsored tuition scholarship that provides for full in-state tuition. The RuralMed program was approved and funded by the legislature in 2009. The program provides for up to 8 slots per year and can carry a value of over \$100,000. According to Randy Eken of the UND SMHS, 23 students have benefited from the program thus far. Four students who initially accepted the tuition scholarship have opted-out of the program and have since repaid the program in full. According to Mr. Eken, not all slots have been filled by only freshmen, but rather, upper classmen have also applied and benefited.

Students who are accepted into the program have the cost of tuition paid upfront in the form of a scholarship in return for practicing in rural North Dakota in family medicine. Students sign a contract at the beginning of their acceptance into the RuralMed program, which can cover the entire length of education of four years. As is suggested with the PSEP bill being contemplated, failure to meet the service requirements set forth in the contract will result in the student forfeiting the benefit and being required to repay in full, with interest, benefits received. Attached to this testimony are the RuralMed brochure and a copy of the contract.

This concludes my report. I am happy to answer any questions you may have.

## How to Apply

A medical student who wants to apply should submit the following materials to the Office of Student Affairs and Admissions:

1. A one to two page essay addressing why the student wants to participate in, and is a good choice for **RuralMed**, and
2. Written permission for the RuralMed selection committee to review the student's complete medical school application.

## For More Information, Contact

### Jennifer Duffy, Financial Aid Administrator

Student Affairs

University of North Dakota School of Medicine & Health Sciences

501 N. Columbia Road, Grand Forks, ND 58202-9037

701.777.2849, Fax: 701.777.4942

Jennifer.duffy@med.und.edu

[www.med.und.edu/student-affairs-admissions/financial-aid](http://www.med.und.edu/student-affairs-admissions/financial-aid)

Funding for RuralMed is provided by the North Dakota Legislature with monies appropriated to the UNDSMHS. It is a state sponsored tuition scholarship.

Want to be a family physician  
in rural North Dakota?

# RuralMed

a state sponsored tuition scholarship



# RuralMed

## Purpose

RuralMed is a state sponsored tuition scholarship designed to:

- encourage medical students to select careers in family medicine
- increase the number of family medicine providers for rural North Dakota

## Definitions

**Rural** is defined as all locations (see map for eligible sites) *except* :

- Bismarck-Mandan
- Fargo-West Fargo-Moorhead
- Grand Forks-East Grand Forks
- Minot

**Family Medicine** means entering a practice as a licensed physician certified by the American Board of Family Medicine

**Tuition** is the amount of money published in the official UND catalog or bulletin for the academic term in which the tuition is incurred (for in state students)

**Full-time practice** is a minimum of forty hours per work week in which 32 hours must be spent providing direct patient care. This does not include time spent 'on call'.

## Benefits

Students accepted for RuralMed will have the cost of tuition paid for in return for practicing in rural North Dakota

## Eligibility

This program accepts applications from first year medical students enrolled at the UNDSMHS.

- Eight (8) students will be accepted each year

## Requirements

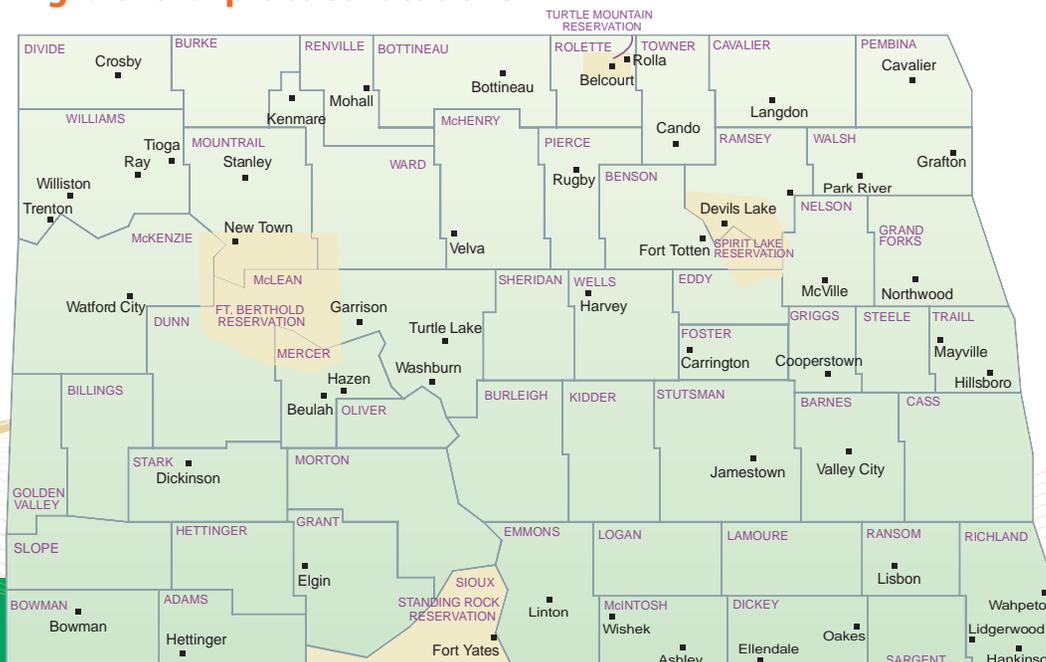
The student must:

- enroll as a medical student at UNDSMHS
- maintain status in good standing throughout four years of education
- enter a graduate residency in family medicine
- establish a full-time family medicine practice in rural North Dakota within six (6) months of completing their graduate residency
- practice family medicine in rural North Dakota for five (5) calendar years

*“This tuition scholarship would allow me the opportunity to work in rural North Dakota, an area I know and love. I would be able to give back to a community that has given to me; I would be given the chance to show my appreciation. Without this tuition scholarship, I will have to take out extensive loans which I will need to repay.”*

Shayna Mann, RuralMed Scholar

## Eligible rural practice locations



**UNIVERSITY OF NORTH DAKOTA  
RURALMED PROGRAM  
RECIPIENT CONTRACT**

The following RuralMed Program (Program) Recipient Contract (“Contract”) is entered into this \_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Effective Date”), by and between the University of North Dakota School of Medicine and Health Sciences (“UND”), and \_\_\_\_\_ (“Recipient”).

1. **SCOPE OF CONTRACT.** This Contract covers the award by UND of a tuition waiver (“waiver”) to Recipient, and all of the terms, conditions and obligations therein, including fulfillment of service obligations and repayment.

2. **DEFINITIONS.**

a) “Tuition” shall mean the amount of Tuition for North Dakota Residents published in the official UND catalog or bulletin for the academic term in which such tuition is incurred. Non-Resident Recipients, as determined pursuant to established UND guidelines, shall be responsible for the difference between Resident Tuition and the tuition actually charged to their account.

b) “Family Medicine Practice” shall mean practice as a licensed physician with certification by the American Board of Family Medicine.

c) “Full-Time” with respect to medical practice shall mean a minimum forty (40) hour work week during which at least thirty-two (32) hours are spent providing direct patient care during normally scheduled office hours. Practice-related administrative activities shall not exceed eight (8) hours per week. A work week may be compressed into no less than four (4) days per week, with no more than twelve (12) hours of work to be performed in any twenty-four (24) hour period. Time spent “on call” will not count toward the work week. No more than seven (7) weeks (thirty-five (35) workdays) per calendar year can be spent away from the practice for holidays, vacation, continuing professional education, illness, or any other reason. Absences greater than seven (7) weeks in a calendar year (“excessive absences”) will extend the Service Obligation end date.

d) "Rural Area" shall mean all locations except Bismarck-Mandan, Fargo-West Fargo-Moorhead, Grand Forks-East Grand Forks, and Minot.

e) "Refunds" as used herein shall mean any portion of tuition incurred by Recipient but credited by UND to Recipient's account pursuant to UND's established refund policies for dropped classes and/or withdrawn students.

**3. OBLIGATIONS OF UND.**

a) Commencing with Recipient's matriculation as a regular medical student at UND, and continuing for a period of four (4) academic years thereafter so long as Recipient's enrollment status does not change and so long as Recipient remains a student in good standing, UND shall provide a credit to Recipient in the amount of Tuition, such credit to be applied contemporaneously with the billing of tuition and fees by UND to Recipient in the ordinary course.

b) The Waiver shall be applied to Recipient's balance with priority over all other forms of financial aid, and in no event shall Waiver funds be disbursed to Recipient or any other person in the form of cash, cash equivalent, or other valuable goods or services.

c) In the event Recipient's enrollment in medical school exceeds four (4) academic years, no additional Waiver credits will be provided but this Contract shall remain valid and in force.

d) A form certifying ("Certification") continued employment pursuant to Recipient's Contract will be sent to the Recipient on a yearly basis.

**4. OBLIGATIONS OF RECIPIENT.**

a) Recipient shall, within six (6) months of completing of a first graduate residency, establish a Full-Time Family Medicine Practice in a Rural Area in North Dakota.

b) Recipient shall maintain a Full-Time Family Medicine Practice in a Rural Area for a period of five (5) calendar years (the "Service Obligation").

c) Recipient's Service Obligation shall be extended in an amount of time equal to Excessive Absences from Full-Time practice as defined herein.

d) Any service or payment obligation incurred by Recipient under this Contract will be cancelled upon the Recipient's death.

e) UND may waive or suspend the Recipient's service or payment obligation incurred under this Contract if the Recipient's compliance with the terms and conditions of this Contract:

- i) Is impossible; or
- ii) Would involve extreme hardship and enforcement would be unconscionable.

d) Until the service obligation is completed Recipient shall keep the school informed at all times of any changes in their name, address, telephone number, and their current employer.

g) Recipient shall fill out and return the Certification in which Recipient will attest to Recipient's continued compliance with Recipient's Contract.

e) Recipient shall send the Certification form to

The Office of the Dean  
School of Medicine and Health Sciences  
501 N. Columbia Road Stop 9037  
Grand Forks ND 58202-9037

**5. OPT-OUT AND REPAYMENT.**

a) Recipient may opt out of the Waiver at any time by providing written notice to UND.

i) If written notice of opt-out is received by UND prior to July 1 between the junior and senior years of medical school, Recipient shall pay UND, within ninety (90) days, the sum of:

- A. All Tuition credited under this Contract, less Refunds, if any; and
- B. Interest on the sum of (A) at the rate of the then-current Federal Direct loan rate.

ii) If written notice of opt-out is received by UND on or after July 1 of the senior year of medical school, including after the commencement of a Full-Time Family Medicine Practice in a Rural

Area but prior to the completion of the Service Obligation, Recipient shall pay UND, within ninety (90) days:

- A. The sum of all Tuition credited under this Contract, less Refunds, if any;  
and
- B. Interest on the sum of (A) at the rate of the then-current Federal Direct loan rate plus three percent (3%).

iii) No proration shall be allowed for any completed service.

b) Any of the following shall be deemed a constructive opt-out, regardless of whether Recipient actually notifies UND, and shall have the same effect as providing written notice:

- i) The failure of Recipient to enroll as a regular medical student at UND.
- ii) The cessation of Recipient's status as a regular medical student at UND.
- iii) The cessation of Recipient's status as a student in good standing at UND.
- iv) The cessation of Recipient's progress toward the degree of Medical Doctor at UND.
- v) The cessation of Recipient's participation in a graduate residency, provided that Recipient may change residencies so long as no more than thirty (30) days pass before the new residency is commenced.
- vi) The failure of Recipient to obtain or maintain licensure to practice medicine in North Dakota.
- vii) The cessation by Recipient of Full-Time Family Medicine Practice in a Rural Area prior to the completion of the Service Obligation.
- viii) The receipt by UND of payment in full according to the appropriate schedule set forth in Paragraph 5(a).

c) Upon opting out as set forth herein, Recipient shall be deemed ineligible and may not reapply for the Waiver.

6. **LIMITATIONS OF LIABILITY.** UND's tort liability hereunder, if any, shall be determined solely in accordance with N.D.C.C. Chapter 32-12.2. UND's contractual liability shall be limited to the value of the Waiver.

7. **SEVERABILITY.** If any term of this Contract is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms will not be affected and, if possible, the rights and obligations of the parties are to be construed and enforced as if the Contract did not have that term.

8. **AMENDMENT.** This Contract may be amended only upon written agreement signed by both parties.

9. **ATTORNEY FEES.** In the event a lawsuit is initiated by UND to obtain performance due of any kind under this Contract, and UND is the prevailing party, Recipient shall, except when prohibited by N.D.C.C. chapter 28-26-04, pay UND's reasonable attorney fees and costs in connection with the lawsuit.

10. **APPLICABLE LAW AND VENUE.** This Contract is governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this Contract must be brought in the Northeast Central Judicial District of North Dakota.

IT IS HEREBY AGREED.

UNIVERSITY OF NORTH DAKOTA  
SCHOOL OF MEDICINE AND  
HEALTH SCIENCES

RECIPIENT

By: \_\_\_\_\_

\_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_