



Joint Subcommittee On Postsecondary Education Policy and Budget (PEPB)

60TH Montana Legislature

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HJR 22 WORKING GROUP (DENTAL STUDY)

STUDENT SERVICE PAYBACK/CLAWBACK OPTIONS

Wednesday, March 12, 2008

At the December meeting of the HJR 22 working group, members expressed interest in considering options for requiring students to repay the state support subsidy fee if they do not return to Montana to practice dentistry, as a means to attract dentists to rural and underserved Montana communities to meet local dental needs. This report is intended to provide options for working group consideration that create a student service payback/clawback mechanism in Montana's professional student education program.

Introduction

Professional student exchange programs (WICHE, WWAMI, and MN Dental) provide students in Montana with access to programs of study in health care fields that are not offered at higher education institutions in Montana. In return for a state government subsidy or "support fee" select students are offered resident or reduced tuition rates at out of state institutions, to make these programs more affordable for students to attend.

In the 2009 biennium state budget, the state support fee and administrative charges for the professional student exchange programs total \$5.2 million general fund in FY 2008 and \$5.4 million in FY 2009. This funding supports approximately 168 Montana resident students each year attending professional institutions in other states.

Dental school support fees will be \$21,300 per student in FY 2009, with a total of 12 dental slots split between WICHE schools and the University of Minnesota. Despite the state subsidized support fee, the annual tuition rate paid by Montana resident students for the WICHE dental schools averaged \$27,016 in academic year 2006 and \$29,724 at the University of Minnesota.

The professional student exchange programs emphasize that there are two primary public policy goals that drive the program and the state financial expenditures, including:

- Expand postsecondary educational opportunities for Montana resident students in professional education fields that are not available through the Montana University System. This has been considered to be more cost effective than state government building a medical school, a dental school, a veterinary school, or other healthcare related higher education institutions

- Increasing the number of professional practitioners in critical health care professions who practice in Montana communities, where many underserved areas have a shortage of accessible care, including in the dental field

The question for this working group is whether there are specific options for amending the professional student exchange program that will improve Montana performance toward the policy goal of return rates, so that more Montana students return to the state following their professional education to practice their chosen health related field, in particular to practice in underserved communities. Specifically, is it likely that a student service payback/clawback would increase the number of dentists practicing in Montana?

Service Payback Options for PSEP Programs

In the Western Interstate Commission for Higher Education (WICHE) states, there are six states that require a service payback from the professional students that they subsidize with support fees. Those states include Arizona, Colorado, Hawaii, Nevada, New Mexico, and Washington. While the specific payback terms vary in each state, most require that students return to their home state for one year of professional practice for each year they received a state subsidy. If those students do not return for the required time, then they must payback to the state some or the entire support fee paid on their behalf.

There are five WICHE states, including Montana, that do not require a service payback; Idaho, North Dakota, Utah, and Wyoming.

Alaska, on the other hand, is unique in that it only provides the state support fee as a loan that each student must payback upon graduation, regardless of where they practice their chosen profession.

Return Rates of Student in Montana and Western Regional States

In a recent survey conducted by WICHE¹, the average return rate of students in all the health care professions to those states that require a service payback is 74 percent, with the highest return rate at 94 percent.

Those states that do not require a service payback report an overall student return rate of 39 percent, with Montana slightly higher than the average at 48 percent.

Specific to dentists, figure 1 below illustrates the return rates for those five states that provide support fees for dentists, with a comparison of the average among these states.

Figure 1
Professional Student Exchange Program Five-Year Return Rates by State
Dental Profession 2001 - 2005

State	Total Students	Number Returning	Return-rate Percentage	Service Payback Required
Alaska	4	3	75%	Loan Only
Arizona	60	48	80%	Yes
Montana	12	5	42%	No
New Mexico	26	24	92%	Yes
Wyoming	26	13	50%	No
Total	128	93	73%	

Source: WICHE 2007 return rate survey

Therefore, there is data in this survey that does correlate the service payback component with a significantly higher student return rate, both in terms of overall rates for all health professions as well as for the dental profession specifically.

Best Practice Dental Return Rate State: New Mexico

Specific to dental professionals, the highest return rate comes in New Mexico, a state that does require a service payback of one year of practice back in the state for each year of subsidized support fee and, if the student fails to return for this service, the support fee must be paid back at three-times the actual support fee plus 18 percent interest.

Under this system, New Mexico has a 92 percent return rate for dentists over the past five years, with 24 out of 26 dentists returning to practice their profession in their home state. New Mexico supports 10 resident student slots each year with the state support fee subsidy.

In addition to the service payback requirement, New Mexico also has the following incentive programs for targeting dentists to practice in the state. Priority for these program opportunities are given to New Mexico students, including those returning for their student service payback requirement:

- Health Professional Student Loan Repayment Program that will provide up to \$12,500 per year to health professionals, including dentists, who make a two-year commitment to practice full-time in a designated medical/dental shortage area, to assist with professional student loan repayment.
- New Mexico Health Services Corps that provides stipends to health professionals, including dentists, during their last two years of training or residency in return for at least 1,600 hours per year of service for at least two years in an underserved community. The annual stipend for dentists is \$20,000.

New Mexico also worked to increase the number of pre-professional students who would be interested in pursuing dental education by organizing a pre-dental club at the undergraduate level in educational units across their higher education system, and the state dental association got involved with an aggressive mentoring program for students considering dentistry. As a result, in just over two years, the number of New Mexico students interested in pursuing a professional student exchange program slot at a dental school increased by 69 percent, and the number of students receiving offers from dental schools has increased by 62 percent.

Therefore, in considering the high 92 percent return rate experienced by New Mexico, it is important to recognize the additional incentive opportunities that exist in addition to the service payback requirement of the professional student exchange program.

Fiscal Projections for Cost of Student Repayment/Clawback Program

Creating a service payback program would likely require additional administrative costs to the lead agency, which in Montana is the Office of the Commissioner of Higher Education (OCHE). The administrative responsibilities would include:

- Tracking professional graduates after they leave school to determine where they establish a practice
- Ongoing verification that each professional remains in practice in Montana for the duration of their service payback obligation
- For those that do not return to Montana or who leave before completing their service payback, setting up some type of repayment process that would likely operate similar to a loan repayment
- Creating a debt collection mechanism to track and secure payback from those who default on their repayment plan

- Additional legal staff expertise related to debt collection, including knowledge of the collections regulations in other states

According to 2007 figures from OCHE staff, the projected administrative cost to set-up a student service payback/clawback program would include the following:

- \$50,000 one-time-only start-up costs to establish staffing, equipment, and materials
- An ongoing \$8.00 per month (\$96 per year) cost for every student to be tracked in the professional student exchange program through the duration of their service obligation. Based upon the current number of student slots, approximately 40 Montana students graduate each year from the various programs that would then need to be tracked for four years to complete their service payback. If we assume a 75 percent return rate (the WICHE average), there would be about 10 students each year that would be placed into “payback status” and require tracking beyond four years. For this projection we will assume a ten-year payback schedule, with an additional deferment year for residency. So there would be a four-year cycle of 44 new students, of which 9 per year, starting in year four, would continue in financial payback for ten years. Therefore ongoing annual administrative costs would likely be:
 - Year one: 40 x \$96 = \$3,840
 - Year two: 80 x \$96 = \$7,680
 - Year three: 120 x \$96 = \$11,520
 - Year four: 160 x \$96 = \$15,360
 - Year five: (160 + 10) x \$96 = \$16,320
 - Year ten: (160 + 60) x \$96 = \$21,120
 - Year eleven and all subsequent: (160 + 70) x \$96 = \$22,080
- Starting in year five, when that projected 10 students per year opt for the financial payback rather than the service payback in Montana, OCHE projects the need for a new 1.0 FTE position as a “collections specialist” at a total ongoing annual cost of \$50,000.

To refine the long-term projection, if we assume an annual inflation rate of 3 percent, then the ongoing administrative cost to OCHE, based upon their 2007 cost projection, would be approximately \$28,809 at full student load after the eleventh year of the program, together with \$50,000 for new FTE for a ***total projected annual cost of \$78,809.***

Of course, if there is an expansion of student slots for the professional student exchange program, these costs will increase for each additional slot.

Given the number of states that now include a service payback option, WICHE is considering creation of a regional administrative service program to provide these services for WICHE member states that have a service payback option as part of their professional student exchange program. That program is only speculative at this point in time but, if created, could potentially be more cost effective than a state specific administrative mechanism at OCHE. It is not likely, however, that WICHE would have such a system online in the near future so that any consideration for creating this program would need to contemplate the likely administrative costs to OCHE over the short term at least, pending any regional option presented by WICHE.

Additional Information Attached

For more detailed information on professional student exchange programs and service payback options, attached to this report are the following documents:

1. Professional Student Exchange Program: Structure in Each State (WICHE publication)
2. Part I – Professional Student Exchange Program: Return rates of WICHE PSEP Graduates (WICHE survey publication pages 14-16)

3. PSEP Service Requirements and Payback Plans (WICHE publication)

It should be noted that the document in item 3 above, the PSEP Service Requirements and Payback Plans, provides an overview of seven different state service payback programs that have various components. These differing components provide a series of options that should be considered in creating a similar program in Montana. Therefore, a review of this document will provide more detailed background on the potential bill draft option variables that are listed in the next section below.

Working Group Options:

Given the policy goal of increasing student return rates of professional student exchange program participants, in particular dentists, the working group may want to consider the following:

1. Request a bill draft for the June 2008 meeting that would amend 20-25-804, MCA, and any sections related to the Western Regional Higher Education Compact, to create a student service payback/clawback contractual requirement as part of the professional student exchange program.

That bill draft may want address the following variable options:

- Repayment is required for all professions or dentists only - _____
 - Require full support fee payback, partial payback, or more than full payment - _____
 - Add interest, at what level - _____
 - How are the repaid funds to be used; back to general fund or used to fund a related program in this area (e.g. dental student loan payment incentive) - _____
 - Number of years required to practice in Montana for service payback - _____
 - When is returning to Montana to practice required, immediately upon graduation or deferment allowed during residency program - _____
 - Return to anywhere in Montana or to a medically underserved area - _____ (how to define “medically underserved area”)
2. If the working group decides to create a service payback option, there may be reason to consider also creating a loan-type payback component to allow professionals who do not choose to return to Montana, opting for the clawback repayment of support fees, to make these payments over time. This would need to consider the additional administrative costs discussed above and how to fund these costs.
 3. Do nothing at this time.

Respectfully submitted:

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¹ *Student Exchange Program 2007 Statistical Report*, due for release in February 2007, published by WICHE.