

SLRP State Contract Administration

State Loan Repayment Program Participant Contracts

As a State Loan Repayment Program grantee state, you are responsible for the development of participant contracts that adhere to SLRP guidelines. You are encouraged to consult with your legal counsel to develop terms and conditions that are appropriate for the execution of your state loan repayment program. Grant applications must include a copy of any contract that is used in your state's loan repayment program.

Contract Requirements

Contracts used under your state's loan repayment program must include the following information and terms:

- **Participant's Name**
- **Contract Award Period**
- **Contract Amount:** Total award amount of contract
- **Practice Site:** Name and physical location (not mailing address) of eligible practice site (including 9-digit zip code and HPSA identification number).
- **State Funding:** The State agrees to pay all or part of the principal, interest, and related expenses of the qualifying educational loans of the health professional. The award amount may not exceed \$50,000 per year for full-time participants or \$25,000 per year for half-time participants (unless they agree to serve twice as long), unless the individual agrees to serve at a high priority HPSA determined by the NHSC, and the additional funds come from non-Federal sources.
- **Practice Agreement:** In return for repayment of qualifying loans, the individual agrees to provide primary health services of one year for each year of loan repayment, with a minimum two-year obligation, at a public or nonprofit private entity that serves a Federally-designated HPSA.
- **Practice Hours:** The health professional agrees to provide either full- or half-time clinical service at a HPSA site. Full-time must be defined as not less than 40 hours per week for at least 45 weeks per year, and half-time must be defined as not less than 20 hours, but not more than 39 hours, per week for at least 45 weeks per year.
- **Site Requirements:** The health professional agrees to work at a service site that accepts reimbursement under Medicare, Medicaid, and the Children's Health Insurance Program, utilizes a sliding fee scale, and sees all patients regardless of their ability to pay.
- **Service Obligation:** If the participant fails to begin or complete service, he/she will incur a debt to the state in an amount not less than the damages that would be owed under the NHSC LRP default provision.
- **Waiver:** The state should have a waiver provision to accommodate cases where the participant is unable to complete the service obligation due to illness or other compelling personal circumstances. The waiver provision must not be more favorable than the NHSC LRP's waiver provision.

- **Contract Cancellation:** The state may cancel the obligation in the case of the participant's death.
- **Contract Termination:** The state may allow participants to request termination of their SLRP contract. The contract should clearly state the terms and conditions for termination. The state may fashion its own termination provision so long as it is not more favorable than the NHSC LRP's termination provision at 42 U.S.C. § 254o(c)(2) (An NHSC loan repayer may request termination of his/her contract by submitting a written request for termination and repaying all funds disbursed under the contract, no later than 45 days prior to the end of the fiscal year in which the contract was entered into - i.e., by August 17 of the year in which the contract was executed).

It is the responsibility of your state to recover from the SLRP participant the amount specified in the SLRP contract's default provision. While your state is not required to return to HRSA any of the monies it recovers from an SLRP defaulter, HRSA expects your state to enforce its SLRP contracts, including the default provision.

Contract Breach and Default Provision

The NHSC LRP default provision is found at 42 U.S.C. § 254o(c)(1). There are three components to the damages formula:

- (A) The amounts paid to the participant for any period **not** served;
- (B) The number of months **not** served, multiplied by \$7,500; and
- (C) Interest on (A) and (B)

If the amount resulting from the above formula equals less than \$31,000, then the defaulter owes \$31,000. The amount owed is due to be paid within one year of breach.

You may use a breach formula in your state loan repayment program contract different than the one above; however, the amount due to the state cannot be less than what would be owed if the above formula was used. In addition, your state must require that individuals who breach owe not less than \$31,000 to the state, even if its breach formula would result in a lower amount due.

SLRP participants are considered to be in default if they do not complete the period of obligated service at an eligible site in accordance with their SLRP contract, or otherwise fail to comply with the terms of the contract, even if no monies have yet been disbursed to the participant. That is, if a state does not release SLRP funds to a participant until the service obligation is completed, an individual found in breach of the obligation would still incur a debt to the state.

Reduction in SLRP Grant for Breached Contracts

When your state loan repayment program has had one or more initial breaches by health professionals of SLRP contracts in the fiscal year preceding that of a grant application, the SLRP statute requires the Secretary of HHS to reduce the state's next grant award as a means of "recovering" the Federal dollars invested in the health professional who failed to serve.

The offset formula is found at 42 U.S.C. § 254q-1(g)(2)(B). The amount to be offset equals the sum of the Federal funds disbursed to the SLRP defaulter, plus interest at the maximum legal rate prevailing for

loans made during the time amounts were paid under the contract, as determined by the Treasurer of the United States. The Secretary may waive the offset requirement if the SLRP participant's breach was due solely to the participant having a serious illness.

Legislative Information

Public Health Service Act, Title III, Section 338I(a)-(i) (42 U.S.C. § 254q-1(a)-(i))

Help with Grants

- CallCenter@hrsa.gov
- 1-877-464-4772, TTY: 877-897-9910
Monday – Friday (except Federal holidays), 9 a.m. – 5:30 p.m. ET
- For program-related questions, please email slrp@hrsa.gov