



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Health Resources and Services Administration

**Final Notice Regarding Updates and Clarifications of the Implementation of the Scholarships for Disadvantaged Students Program**

**AGENCY:** Department of Health and Human Services, Health Resources and Services Administration.

**ACTION:** Notice.

**SUMMARY:** The Health Resources and Services Administration (HRSA) announces updates and clarifications for the implementation of the Scholarships for Disadvantaged Students (SDS) program under authority of Section 737 of the Public Health Service Act (PHS Act). This notice supersedes all previous notices regarding the SDS program.

A notice which proposed updates and clarified implementation of the SDS program was published in the Federal Register on March 20, 2012 (77 FR 16244). A period of 30 days was established to allow public comment concerning the proposed updates and implementation. Twenty-two letters were received, each with multiple comments. This notice discusses the comments and sets forth the final updates and implementation to the SDS program.

**EFFECTIVE DATE:** The program clarifications described in this notice will be implemented in fiscal year (FY) 2012 and beyond and will become effective for SDS funds awarded to schools in FY 2012 and beyond.

**PURPOSE:** HRSA is updating the SDS program to increase the impact of the program in the areas addressed in the program's authorizing statute. Specifically, the authorizing statute allows the Secretary to make grants to eligible entities that are carrying out a program for recruiting and retaining students from disadvantaged backgrounds, including students who are members of racial and ethnic minority groups (PHS Act, Sec. 737(d)(1)(B)). In addition, grantees provide scholarships to individuals who meet the following requirements: (1) are from disadvantaged backgrounds; (2) have a financial need for a scholarship; and (3) are enrolled (or accepted for enrollment) at an eligible health professions or nursing school as a full-time student in a program leading to a degree in nursing or a health profession (PHS Act, Sec. 737(d)(2)(A-C)). Under the statute, priority is given to eligible entities based on the proportion of graduating students going into primary care, the proportion of underrepresented minority students, and the proportion of graduates working in medically underserved communities (PHS Act, Sec. 737(c)). There is also a requirement to award at least 16 percent of the available funds to schools of nursing (PHS Act, Sec. 740(a)).

The SDS Program required updating, because the program grantee population had grown from 401 schools in FY 2000 to almost 700 health profession schools in FY 2011. Since all SDS eligible schools received grant awards, the funding had been divided into ever decreasing amounts per school over the years. Many of the schools, in an effort to provide funding to each of their disadvantaged students, spread the award equally among the disadvantaged students and the smaller school award amounts resulted in smaller student scholarship amounts. While the student scholarship amounts decreased, the tuition rates increased. For many students with

insufficient financial resources, the small award size was unlikely to provide enough funding to continue in school. Also, the primary care and underrepresented minority student priority weights used were too small to adequately incentivize and reward schools that were successful in graduating primary care underrepresented minority students or who had excellent plans to improve their programs to recruit and retain students from disadvantaged backgrounds, including students who are members of racial and ethnic minority groups. The primary care weights were also not enough to incentivize schools to increase the proportion of graduating students going into primary care. Additionally, the practice of awarding grants for 1 year at a time did not allow the schools to select financially disadvantaged applicants with greater assurance that a student would receive SDS financial aid for the entire time the student is enrolled.

#### **CHANGES:**

To provide larger award amounts to schools and to increase the retention and graduation of disadvantaged students, including students who are members of racial and ethnic minority groups, HRSA's Bureau of Health Professions (BHP) announces the following changes to the SDS program:

- (1) Convert the formula-based SDS program to a competitive peer-reviewed grant program.

Comments: Four comments were received regarding the use of peer review in the grant award process. The first "welcomed" the change to a peer review process. The second comment was concerned that the peer review process did not include peer review of priority points. The third commenter believed that the application process for peer

review would be a burden, and the fourth commenter gave no readily discernible reason for not supporting peer review.

In response, HRSA points out that the base score totals 100 points and is determined by the results of the peer review. The additional priority points are calculated based on set numeric standards. Therefore, the majority of an applicant's score (100 out of 111 points total) will be derived from peer reviewers. The priority points (a maximum of 11 points, in addition to the maximum of 100 base points) will be based on an applicant's successful past performance and points will be designated using data provided by the applicant (percent of graduates entering service in medically underserved communities or primary care and the percent of students that are underrepresented minorities). The calculation of set numeric standards for the awarding of priority points does not require the judgment of a peer reviewer. The priority point evaluation process described is, in HRSA's consideration, the most objective means of evaluating applicants for the SDS program. Regarding the third comment about the application being burdensome, narrative grant applications are commonly used by HRSA health professions programs. The narrative grant application allows peer reviewers and HRSA to understand the applicant's approach and proposal more fully. The overall grant application format has been reviewed and approved for general use. In addition, since the grants will be awarded for multiple years, applicants will only apply once every four years instead of annually.

- (2) Convert the grant award from a current 1-year project period to a project period of 4-years. A successful institutional applicant would be awarded a 4-year project period with

funding provided annually subject to appropriations, the availability of funds and successful progress.

Comments: Eight comments were received on the project period. Two comments support the 4-year project period. One of them said, “The 4-year commitment will be key in incentivizing students to enter one of these much needed professions and allow the student to have a firm financial plan in tackling the cost of the education.” Other comments included two that were concerned that Congress might not fund the full 4-year project period; another was interested in knowing how a 2-year school would fare in funding with a 4-year cycle; another worried that a student’s economic status might change over the 4-year period, and another provided no readily discernible reason for not supporting the change.

In response, the multi-year project period has historically been used by many HRSA health profession training programs. There is no concern that the SDS program would encounter any special difficulties. Grants are awarded with a multiyear project period which allows grantees the opportunity to plan for long-term activities. Regarding the remaining comments on the project period, there appears to be a misunderstanding regarding the school award project period and the student award. The SDS school 4-year project period assures the school of SDS funding each year, pending availability of funding and dependent upon the school’s performance. The school has the responsibility to select the SDS students each year and the school must ensure recipients comply with all eligibility requirements each year. Schools may not provide a student with all four

years of funding in the first year, however; the school may fund the same student each year if the school has the funds and the student meets the eligibility requirements.

Having a 2-, 3- or 4-year curriculum should not be an issue.

- (3) Add a new requirement that individual student awards must be at least 50 percent of the student's annual tuition costs, for tuition \$30,000 or less, but no student can be awarded over \$15,000 SDS funds per year. Individual student awards must be \$15,000 for students whose tuitions are over \$30,000 per year. The use of funds have not changed and the amount of the scholarship still may not exceed a recipient's cost of tuition expenses, other reasonable educational expenses, and reasonable living expenses incurred in attendance at the SDS eligible health professions school. As before, the scholarship may be expended by the student only for such allowable costs.

Comments: There were 11 comments on the tuition award amounts. Three comments supported the change. Six comments said they prefer to provide scholarships to more students rather than increase scholarship amounts to fewer students and there was concern that they would not be able to fund as many students as they usually do. One of the six said her preference was to leave the scholarship amount entirely up to the grantee. Another comment suggested lowering the minimum scholarship amount and another suggested having a minimum per semester rather than per year.

In response, HRSA maintains that providing small amounts to more students is unlikely to affect student outcomes in a way consistent with the statutory aims. The requirement

of 50 percent of the tuition up to \$15,000 per year will provide a significant award amount to allow disadvantaged students with financial need to better complete their health profession education. A 50 percent tuition per year award minimum provides more flexibility than a per semester minimum. Regarding the concern that a school may have to select fewer SDS students due to the changes being made, HRSA points out that the total grant award to a school will be based on the disadvantaged students' need up to \$650,000 rather than basing it on a formula that determines the portion of shared available funds.

- (4) Increase the weight and provide a range of points for primary care and underrepresented minority priorities.

Comments: There were 4 comments regarding the weights for the priority points. Two comments supported the priority point weights. One comment that supported the weights also said attaining high percentages of graduates entering primary care service would be difficult. One commenter did not like the high weight on primary care and the other did not like the high weight given for applicants with high percentages of underrepresented minority students, or for graduates serving in primary care. Both said that this would increase primary care at the expense of other disciplines.

In response, service in primary care and having high percentages of students from underrepresented minority backgrounds are two of the priorities required by the authorizing statute. Increasing primary care practitioners and increasing the diversity of

the health professions are emphasized in the statute. They are also both initiatives of HRSA and the priority points are weighted to meet these initiatives.

- (5) Expand the disciplines eligible for the primary care priority (currently allopathic and osteopathic medicine, dentistry, graduate nurse practitioners, and physician assistants) to also include dental hygiene and behavioral and mental health discipline (clinical psychology, clinical social work, professional counseling, marriage and family therapy).

Comments: There were six comments regarding the primary care priority disciplines.

Two supported the expansion. Another comment said they did not support the expansion, because it would decrease funds to those already receiving the primary care priority.

Three additional commentors wanted HRSA to also add pharmacy as a primary care discipline, because in “three states,” there is “...a second level of pharmacist licensure known as the pharmacist clinician (Ph.C.). Under protocol with a physician, a Ph.C. acts as a mid-level provider with similar rights and responsibilities to that of a Nurse Practitioner or Physician Assistant.”

In response to the comment that disciplines eligible for the primary care priority should not be expanded, because the change might decrease the amount of funds to current primary care priority recipients, HRSA points out that the identified primary care priority disciplines can rationally and consistently be defined as primary care across the states following the IOM definition. Possible funding scenarios should not be a criterion for deciding whether a discipline is primary care. In response to those commentors who



wanted to expand the primary care definition to include disciplines that had a primary care role in three states, HRSA points out that the expanded list of disciplines proposed were those with fairly consistent licensure and duties nationally. Seven states offer prescribing privileges and many other states support collaborative drug therapy management, thereby expanding scope of practice and allowing pharmacists to work in a team environment to initiate, modify or continue drug therapy for a specific patient. HRSA will continue to assess the pharmacist clinician occupation for possible inclusion in the primary care discipline category in the future.

- (6) Use the Institute of Medicine's primary care definition to identify primary care service for the primary care priority within the eligible primary care disciplines:

*Primary Care is the provision of integrated, accessible health care services by clinicians who are accountable for addressing a large majority of personal health care needs, developing a sustained partnership with patients, and practicing in the context of family and community.* (Institute of Medicine. *Primary Care: America's Health in a New Era*. Washington, D.C.: National Academy Press, 1996).

Comments: There were three comments regarding the use of the IOM definition. Two supported the use of the definition. Another comment did not support the use of the IOM definition unless there would be full disclosure that other health professions, authorized to participate in the SDS program, were also included in the primary care priority.

In response, the primary care definition as written does not mention specific disciplines but describes tasks to better define primary care activities.

- (7) Increase the school eligibility requirement for disadvantaged students enrolled and disadvantaged students graduated to 20 percent each.

Comments: There were six comments regarding the increase in the eligibility requirements. One comment said that the change “seems reasonable” though it may be difficult to maintain. Another said that its school would likely be able to attain the 20 percent levels but worried about what would happen if after receiving the grant, the school fell below 20 percent for one of the years. Four other comments said that raising the eligibility to 20 percent would eliminate the school from the program and two of those who said they would be eliminated, went on to say that the discipline itself as a whole didn’t have near the 20 percent level of disadvantaged students or practitioners.

In response, the proposed increase in eligibility that will occur in FY 2012 was designed in order to focus funds on schools that have a strong commitment to educating and graduating disadvantaged students. Based on an analysis of FY 2010 grantees, over 400 programs met the 20 percent eligibility criteria. The SDS program eligibility criteria could help drive improvement in disciplines with low percentages of disadvantaged enrollees and graduates. Prior to the FY 2012 increase, the level had not been increased since 1999.

**ELIGIBILITY REQUIREMENTS:** Eligible entities are: schools of allopathic and osteopathic medicine; dentistry; optometry; pharmacy; podiatric medicine; veterinary medicine; nursing (associate, diploma, baccalaureate, and graduate degree); public health; chiropractic; allied health (baccalaureate and graduate degree programs of dental hygiene, medical laboratory technology, radiology technology, speech pathology, audiology, registered dieticians, and occupational therapy and physical therapy); mental and behavioral health (graduate degree programs in clinical psychology, clinical social work, professional counseling, marriage and family therapy); and entities providing physician assistant training programs. (PHS Act, Sec. 737(d)(1)(A)).

There are five requirements a school must meet in order to be eligible for the SDS grant program. The requirements, starting in FY 2012, are as follows:

- (1) Twenty (20) percent of enrolled students must be disadvantaged;
- (2) Twenty (20) percent of graduates must be disadvantaged;
- (3) Schools must have a recruitment program for disadvantaged students;
- (4) Schools must have a retention program for disadvantaged students; and
- (5) Student award must be at least 50 percent of the annual tuition cost with a \$15,000 maximum award per year, when annual tuition is \$30,000 or below—above \$30,000 annual tuition equals \$15,000 award.

**STUDENT ELIGIBILITY REQUIREMENTS:** To qualify for the SDS program, a student must:

- (1) Meet the following definition of an individual from a disadvantaged background. For the

purposes of the SDS program, an individual from a disadvantaged background is defined as one who: (a) comes from an environment that has inhibited the individual from obtaining the knowledge, skills, and abilities required to enroll in and graduate from a health profession or nursing school, or from a program providing education or training in allied health professions; or (b) comes from a family with an annual income below the established Census Bureau low-income thresholds, adjusted by the Secretary for health professions and nursing programs eligibility;

(2) Have a financial need for a scholarship, in accordance with a need analysis procedure approved by the Department of Education (20 U.S.C. 1087kk - 1087vv). In addition, any student who is enrolled (or accepted for enrollment) in a health profession school or program must provide information on his or her parents' financial situation or his or her own depending upon the tax status of the student; and

(3) Be enrolled (or accepted for enrollment), as a full-time student, at an eligible health professions or nursing school in a program leading to a degree in nursing or a health profession (PHS Act, Sec. 737).

Comments: There was one comment regarding financial information required on graduate students. That comment requested that HRSA change its policy requesting that graduate students provide parental financial information to determine financial need, because it may be burdensome to the students. The commenter noted that some Department of Education loan programs do not require parental information.

In response, HRSA points out that SDS is a scholarship program, and strong documentation is needed for the student scholarship selection process. The consequence of providing a scholarship to a non-eligible student is the loss of funds, whereas with loans, students repay the funds with interest. During technical assistance meetings, many grantees were very favorable to the SDS financial-need documentation policy and said that the information was needed to both make appropriate student selections and the policy helpful when explaining financial document requests to students. SDS policy is for the parental income to be used to determine a student's eligibility for economically disadvantaged status in all cases except in those cases where the student is considered independent by being at least 24 years old and has not been listed as a dependent on his or her parents' income tax for 3 or more years. In those cases, the student's family income will be used instead of parental family income.

**STUDENT AWARD SELECTION:** The law requires that in providing SDS scholarships, the school or program must give "preference to students for whom the cost of attending an SDS school or program would constitute a severe financial hardship." Severe financial hardship is to be determined by the school or program in accordance with standard need analysis procedures prescribed by the Department of Education for its Federal student aid programs. The school or program has discretion in deciding how to determine which students have "severe financial hardship," as long as the standard is applied consistently to all eligible students.

The law also requires that schools give awards to students who were former recipients of scholarships under PHS Act sections 736 (Exceptional Financial Need Scholarships) and

740(d)(2)(B) (Financial Assistance for Disadvantaged Health Professions Students

Scholarships), as such sections existed on November 13, 1998, if such recipients are still students in financial need.

**ELEMENTS OF PEER REVIEW:** Peer reviewers will assess a school's allocations based on accomplishment of, or commitment to, the following criteria:

- (1) Degree to which applicant demonstrates its commitment to the education of disadvantaged students, including underrepresented minorities (10 points);
- (2) Degree to which applicant demonstrates its commitment to increasing primary care practitioners (10 points);
- (3) Degree to which applicant demonstrates its commitment to increasing graduates working in medically underserved communities (MUCs) (10 points);
- (4) Level of achievements and successes in educating disadvantaged students, including underrepresented minorities, in a way that eliminates barriers along the educational pipeline for disadvantaged students and assures graduates practice in primary care and serve in MUCs (30 points); and
- (5) Level of adequacy of proposed plan to increase and educate disadvantaged students, including underrepresented minorities, and retain students in their academic programs, and encourage them to enter primary care and serve in MUCs (40 points).

Comments: There were 17 different comments regarding the review criteria. One comment said that the school liked the focus on recruitment and retention programs. Three comments

indicated that they would prefer that HRSA provide administrative costs to acquire the data needed to apply and report on students. Eight comments requested that the changes not be implemented this year for the following reasons: in order to complete a study of the likely outcomes of these changes, to provide time for institutions to gather information to write better applications, and to assure the SDS scholarship funds can be provided to students this year and be a recruitment tool despite the later than normal grantee award date this year. Two comments said that the MUC service review criterion was problematic since service was a student decision and beyond the school's control. One comment said that the goal of increasing disadvantaged students in primary care would destroy the SDS program as it currently exists. Two comments were that the school disagreed with the focus on primary care.

In response, HRSA is unable to fund administrative costs for this program at this time. Regarding the request for an impact study, HRSA will base the programmatic changes on information it has gathered from grantees about program operations and analysis of grantee data. HRSA will assess the impact of these changes after they are implemented to determine if they had the intended effect. In regard to the additional application burden, HRSA points out that the applications for the SDS will include much of the same information requested in the past, but will have additional opportunities for applicants to describe their programs in narrative and check-box format. Program has determined that the time allocated to complete the application will be appropriate to satisfy any new requirements. Regarding timing of the awards in FY 2012, HRSA grantees (in meetings with HRSA) said that schools will be able

to award the funds requested for FY 2012 even if the awards come out in September. In response to the comments regarding the MUC review criteria, the SDS program already awards funds to schools that have programs and activities to support and encourage students to provide service in MUCs and grantees have been tracking students' service in MUCs for years. The mission of the SDS program is to provide funding to disadvantaged students, including students from racial and ethnic minority backgrounds in financial need, so they may study at and graduate from a health professions school and enter a health profession, preferably in primary care in a medically underserved community, as per the statutory preferences. The review criteria focus on program activities that will produce those results.

**PRIORITY SCORING:** Additional points ranging from two through four will be given for having a high percentage of the following priorities: (1) underrepresented minority students and (2) graduates entering primary care service. Additional points ranging from one through three will be given for having a high percentage of graduates serving in medically underserved communities. The number of points awarded to each applicant for meeting the priorities will be determined by the applicant's percentage in meeting these priorities. A higher number of points will be assigned to applicants with higher percentages of meeting these priorities. There will be no institutional or discipline preferences.



**ADDITIONAL LETTERS:** There were three additional letters that did not contain comments. They asked questions that were answered in the text of this Notice or required very detailed responses that were more appropriate for response in technical assistance meetings.

Dated: May 17, 2012

Mary K. Wakefield,  
Administrator

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