



THE ASSISTANT SECRETARY OF DEFENSE

**1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200**

HEALTH AFFAIRS

AUG 21 2007

The Honorable Carl Levin
Chairman, Committee on Armed Services
United States Senate
Washington, DC 20510-6050

Dear Mr Chairman

The enclosed report responds to the requirement in Section 538(c) of the National Defense Authorization Act for Fiscal Year 2007 for the Department to report on the Health Professions Scholarship and Financial Assistance Program for Active Service.

The report highlights that the combined Services have had declining program execution of their annual goals since 2004. The decline is partially linked to the changing demographics of US medical school students, who for a variety of reasons, are not demonstrating interest in the current program. Recommendations for program improvements are included in the report

We look forward to your continued support of the Military Health System as we work together to resolve this important issue

Sincerely,

A handwritten signature in black ink, appearing to read "S Ward Casscells", with a long horizontal flourish extending to the right.

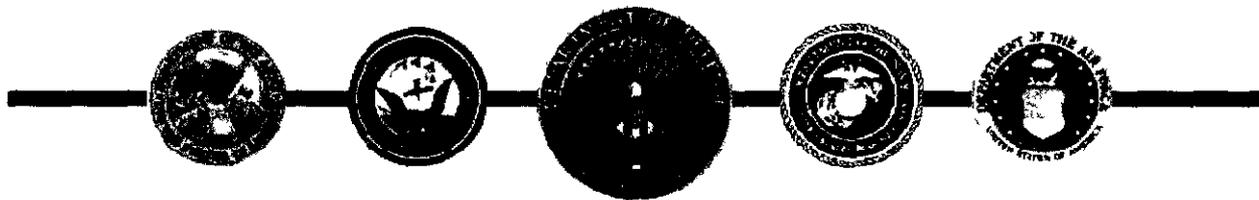
S Ward Casscells, MD

Enclosures
As stated

cc
The Honorable John McCain
Ranking Member

Report on:

**Health Professions Scholarship
And
Financial Assistance Program
For Active Service**



In Response to:

Section 538 of the National Defense
Authorization Act for Fiscal Year 2007

The Health Professions Scholarship and Financial Assistance Program Report

April 2007

BACKGROUND

Section 538 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2007, requires the Department of Defense to provide a report on the Health Professions Scholarship and Financial Assistance Program for Active Service as follows

Section 538 (c) Report on Program—Not later than March 1, 2007, the Secretary of Defense shall submit to the Congress a report on the Health Professions Scholarship and Financial Assistance Program for Active Service under subchapter I of chapter 105 of title 10, United States Code. The report shall include the following

(1) An assessment of the success of each military department in achieving its recruiting goals under the program during each of fiscal years 2000 through 2006

(2) If any military department failed to achieve its recruiting goals under the program during any fiscal year covered by paragraph (1), an explanation of the failure of the military department to achieve such goal during such fiscal year

(3) An assessment of the adequacy of the stipend authorized by section 2121(d) of title 10, United States Code, in meeting the objectives of the program

(4) Such recommendations for legislative or administrative action as the Secretary considers appropriate to enhance the effectiveness of the program in meeting the annual recruiting goals of the military departments for medical personnel covered by the program

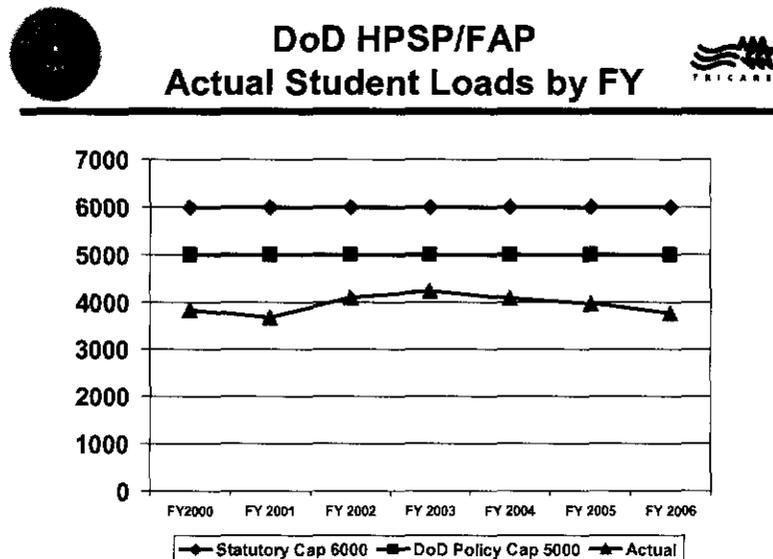
OVERVIEW

The statutory requirements for the Health Professions Scholarship (HPSP) and Financial Assistance (FAP) Program are contained in Title 10, Sections 2120 through 2127. The HPSP and FAP are a primary accession source for physicians and dentists and to an equally important but lesser extent, Allied Health personnel to include but not limited to Optometrists, Pharmacists and Clinical Psychologists. The HPSP offers reimbursement for tuition, books and fees, and pays a monthly stipend. The Financial Assistance (FAP) section of the program offers medical professionals in civilian specialty training an annual grant and a monthly stipend. Program participants receive a Reserve commission as members of the Individual Ready Reserve, and are required to perform a period of active duty for training each year. During this time they receive pay and benefits in the same manner as any drilling reservist.

Title 10, Section 2124 limits the number of program participants to a maximum of 6,000 students at any given time. DOD Instruction 6000.12 sets an internal policy limit of 5,000 program participants at any given time. As of the end of FY 2006, overall HPSP student load was 3,650 and the FAP student load was 118 for a total of 3,768 program participants, well below the internal 5,000 policy limit.

FY 2006 Total Student Load	HPSP		FAP		TOTAL	
Medical	3,007	2,584	161	112	3,168	2,696
Dental	830	843	29	6	859	849
Nurse	9	8	0	0	9	8
Allied Health	236	215	0	0	236	215
Total Program Participants	4,082	3,650	180	118	4,272	3,768

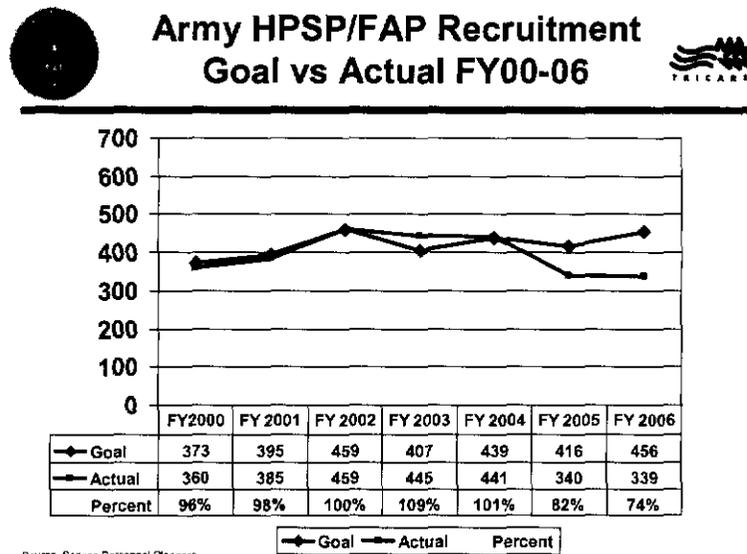
The table below depicts total program student load by FY from 2000–2006. Total student load has remained below the internal policy limit of 5,000 set by DODI 6000.12.



Questions:

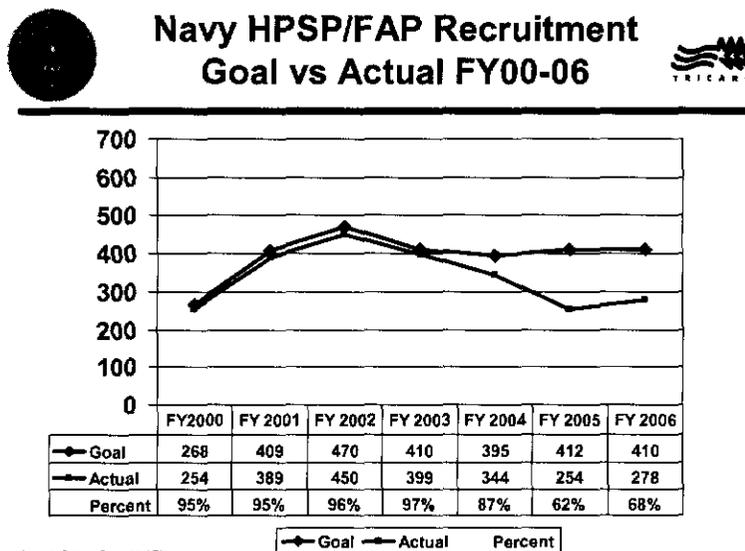
1. Assess the success of each military department in achieving its recruiting goals under the program during each of fiscal years 2000 through 2006.

Appendix A provides a summary of goals and attainment for HPSP and FAP by Service and Corps over the period FY 2000 through FY 2006. Army nearly met or exceeded HPSP/FAP recruitment goals in all years except 2005 and 2006.



Source: Service Personnel Planners

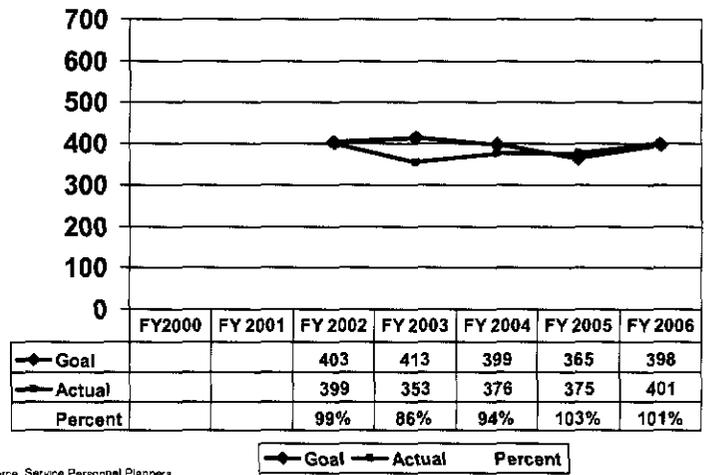
Navy was close to meeting goals for FY 2000–2003 but execution was down significantly during Fiscal Years 2004 through 2006.



Source: Service Personnel Planners

Air Force data is not available for FY 2000 and 2001. Air Force had difficulty meeting goals for FY 2002–2004 but has met or exceeded HPSP/FAP recruitment goals for FY 2005 and 2006.

Air Force HPSP/FAP Recruitment Goal vs Actual FY00-06



Source: Service Personnel Planners

The execution of annual HPSP program recruitment goals by Service, Corps and FY and Corps are shown in the tables below. The data indicate a decreasing trend in overall program execution for all Corps.

The Army has under executed Physician HPSP quotas in FY2005 and FY2006. The Navy has under executed Physician HPSP quotas in all FYs except 2003. The Air Force exceeded goals in FY 2004–2006.

Physician HPSP Scholarship fills by Service and Fiscal Year					
Service	FY02	FY03	FY04	FY05	FY06
Army	102%	112%	101%	77%	78%
Navy	96%	100%	88%	56%	66%
AF	118%	112%	101%	115%	103%

Note: AF data not available for FYs 2000–2001

The Army under executed Dental HPSP quotas in FY2005 and FY2006 The Navy under executed Dental HPSP quotas in FY 2004–2006 The Air Force exceeded goals during FYs 2002–2006

Dentist HPSP Scholarship fills by Service and Fiscal Year					
Service	FY02	FY03	FY04	FY05	FY06
Army	101%	102%	101%	93%	70%
Navy	100%	100%	99%	81%	76%
AF	117%	103%	102%	102%	132%

Note AF data not available for FYs 2000-2001

Allied Health quotas by Service and FY show Army and Air Force nearly always under execute their goals while Navy has achieved goal in every year

Allied Health HPSP Scholarship fills by Service and Fiscal Year					
Service	FY02	FY03	FY04	FY05	FY06
Army	83%	83%	109%	91%	59%
Navy	100%	100%	100%	100%	100%
AF	76%	84%	78%	87%	77%

Note AF data not available for FYs 2000-2001

FAP participation is a small percentage of the entire program The Services have limited success or reliance on this tool as an accession source

	FY2002		FY2003		FY2004		FY2005		FY2006	
Medical	24	19	0	6	0	3	0	0	0	2
Dental	0	0	2	1	0	0	0	0	0	0
Allied Health	0	0	0	0	0	0	0	0	0	0
Total	24	19	2	7	0	3	0	0	0	2
Fill Rate	79%		350%		N/A		N/A		N/A	

	FY2002		FY2003		FY2004		FY2005		FY2006	
Medical	19	19	28	20	20	8	20	13	20	11
Dental	6	2	6	4	6	1	6	0	6	2
Allied Health	0	0	0	0	0	0	0	0	0	0
Total	25	21	34	24	26	9	26	13	26	13
Fill Rate	84%		71%		35%		50%		50%	

	FY2002		FY2003		FY2004		FY2005		FY2006	
Medical	97	61	97	32	39	31	35	21	51	31
Dental	12	4	17	1	12	0	4	1	7	0
Allied Health	0	0	0	0	0	0	0	0	0	0
Total	109	65	114	33	51	31	39	22	58	31
Fill Rate	60%		29%		61%		56%		53%	

2. If any military department failed to achieve its recruiting goals under the program during any fiscal year covered by paragraph (1), an explanation of the failure of the military department to achieve such goal during such fiscal year.

The Department of Defense (DoD) is experiencing significant challenges in recruiting and retaining adequate numbers of personnel in several medical career fields. Our nation is experiencing a growing shortage of physicians and nurses and DoD is not immune to these trends. This growing shortage is linked to increased demand for health care by an aging U.S. population and while at the same time, a significant segment of the provider population is attaining retirement age. The American Medical Association believes that admissions to medical schools will need to be increased by 30 percent to keep pace with increased demand and replace retiring physicians. To mitigate these challenges, Assistant Secretary of Defense (Health Affairs) (ASD(HA)) is working in unprecedented ways to partner with the Services to maximize the effectiveness of the HPSP and other recruitment incentives.

We are very thankful to the Congress for the expanded authorities for scholarship programs as part of the NDAA for FY 2007. These changes were needed to keep pace with a demographic of medical school students that has been continuously changing over the last 20 years. More than 60 percent of medical school students are from families in the top quartile of American families. Non-US citizens and women now comprise more than 50 percent of medical students. Despite the high cost of medical school tuition, low interest loans are readily available from private sector for students applying to medical/dental schools. Excessive debt after graduation is not a major concern. Negative press concerning the protracted Global War on Terrorism has reduced the propensity of some to consider joining the military. These factors all are contributing to a shrinking pool of traditional medical school students that would be interested in an HPSP scholarship.

Significant increases under the new NDAA for FY 2007 authorities in monthly stipend and annual grant may improve recruitment to this program. These benefits are sourced from Service Reserve Personnel Accounts and we are working with the Services to identify funding to implement increases at the earliest opportunity.

We have redoubled our efforts to engage with, and reach out to medical students in training, both those at Uniformed Services University of the Health Sciences (USUHS) and those on HPSP scholarships at civilian institutions. We know that knowledgeable, engaged and content students in our pipeline frequently serve as "embedded recruiters" as they speak positively to peers about their decision to join the military and could potentially entice medical students toward the HPSP program.

As stated as a market challenge, the population of American medical schools has an increasing number of foreign students in the country on student visas. The Department is still analyzing this market for viability. However, current law excludes this population from consideration in that it only permits the military to offer reserve commission to those who are citizens of the United States or who have been lawfully admitted to the United States for permanent residence.

3. An assessment of the adequacy of the stipend authorized by section 2121(d) of title 10, United States Code, in meeting the objectives of the program.

The increased authorities provided in the NDAA for FY 2007 for stipend and grant amounts will increase recruiting of qualified students to the program, once fully funded. Because of the long lead times associated with the DoD program objective memorandum cycle, the next opportunity to implement increases may not be until FY09 at the earliest. This is complicated by the fact that stipends and grants are funded via Reserve Manpower Appropriation and not Defense Health Program funding.

Prior to NDAA for FY 2007, HPSP/FAP stipend and annual grant rules required an annual increase to each previous year's amounts. The stipend increase was tied to the percent increase in the amount of base pay for pay grade 01. Under these rules, the monthly stipend was maintained at constant percentage 01 base pay. For example, in calendar year 2006, pay grade 01 base pay was \$2,416.20 and the 2006-2007 school year stipend was \$1,319/mo or 55 percent of 01 base pay. This percentage has remained nearly constant in previous years. FAP Annual Grant was increased each year by factors that include the percentage increase in base pay as well as the estimated percent increase in annual educational costs. For the 2006-2007 school year, the FAP annual grant was \$27,841.

Under the old Title 10 Section 2121 rules, the Services could anticipate annual stipend and grant increases in their normal budget cycle and the process was a "Must Pay" for the Services. Annual adjustments only required the ASD(HA) to announce new rates by the 01 July deadline so the Defense Finance and Accounting Service could implement.

The NDAA for FY 2007 changed the rules to allow for a monthly stipend not to exceed \$30,000 per year and the maximum grant amount at \$45,000 per year. Since an HPSP student is required to perform 45 days of annual training per year (~1.5 months), leaving ~10.5 months to receive a stipend, the monthly annual amount computes to ~\$2,800 per month. During Calendar Year 2006, a monthly stipend at the maximum amount would exceed the pay for an active duty service member in pay grade 01. The FAP annual grant authority increased the maximum annual amount from \$30K to \$45K.

Because of the changes in NDAA for FY 2007, the ASD(HA) must coordinate in advance with Service Assistant Secretaries for Manpower & Reserve Affairs to implement any new rates that are higher than would have been required under the old rules because of the adverse impact to their budgets. In December 2006, ASD(HA) convened an ADHOC workgroup of Service medical representatives to assess the feasibility of implementing stipends and grants at the new caps. While the Service representatives unanimously reported constrained funding in Reserve Personnel accounts, they advocated tying future stipend amounts at a rate approximately equal to 75 percent of pay grade 01 base pay. The group consensus was that this would be a reasonable starting point that would not exceed the amount paid to active duty 01s, and keep some distance from the benefit that USUHS students receive as commissioned 01s. The FAP grant amount was calculated based on a 25 percent increase over the amount set for the 2006-2007 school year. This increase is being staffed with the Services.

4. Such recommendations for legislative or administrative action as the Secretary considers appropriate to enhance the effectiveness of the program in meeting the annual recruiting goals of the military departments for medical personnel covered by the program

Legislative change requested by DOD for FY08 includes

An Accession Bonus for Participants in the Armed Forces HPSP and FAP

Section 2127 of title 10, United States Code, would be amended by adding at the end the following new subsection

"(f)(1) In order to increase participation in the program under this subchapter, the Secretary of Defense may offer to a person who signs an agreement under section 2122 of this title an accession bonus of not more than \$20,000

"(2) In the case of an individual who receives an accession bonus under this subsection, but fails to commence or complete obligated service under this subchapter, the repayment provisions of section 324(f) of title 37 shall apply to the accession bonus under this subsection "

Appendix A

Health Professions Scholarship And Financial Assistance Program For Active Service

Goal and Execution Data

Fiscal Years 2000–2006

DoD Recruitment (Production Inps)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Medical	477	469	570	567	676	904	775
Dental	90	89	149	151	163	241	243
Nurse	4	2	0	0	11	2	11
Allied Health	27	26	21	23	58	56	51
Total Goal/Actual HPSP	598	586	740	741	1,108	1,203	1,080
Goal-to-Actual Percent	98.0%	99.3%	100.1%	100.0%	106.6%	104.9%	104.9%
Medical	40	25	61	31	140	99	125
Dental	3	3	3	2	18	6	25
Nurse	0	0	0	0	0	0	0
Allied Health	0	0	0	0	0	0	0
Total Goal/Actual HPSP	43	28	64	33	158	105	150
Goal-to-Actual Percent	65.1%	51.6%	51.6%	51.6%	66.5%	42.7%	42.7%
Medical	517	494	631	598	1,016	1,003	900
Dental	93	92	152	153	181	247	268
Nurse	4	2	0	0	11	2	11
Allied Health	27	26	21	23	58	56	51
Total Goal/Actual HPSP	641	614	804	774	1,296	1,308	1,230
Goal-to-Actual Percent	95.8%	96.3%	99.3%	103.3%	103.3%	97.3%	97.3%
Medical	2,894	2,749	2,902	2,980	3,011	2,977	3,134
Dental	752	727	725	690	721	749	736
Nurse	33	10	32	7	29	10	29
Allied Health	120	95	118	102	146	154	177
Total Planned/Actual HPSP	3,789	3,581	3,777	3,479	3,907	3,890	4,076
Plan-to-Actual Percent	94.5%	92.1%	92.1%	92.1%	99.6%	98.4%	98.4%
Medical	299	232	303	188	318	195	135
Dental	27	12	30	10	21	10	16
Nurse	0	0	0	0	0	0	0
Allied Health	0	0	2	2	1	1	0
Total Planned/Actual FAP	326	244	335	200	337	206	151
Plan-to-Actual Percent	74.8%	59.7%	59.7%	59.7%	81.1%	147.7%	147.7%

Note: Air Force data unavailable for FY2000 and 2001

Total Student Load	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Medical	2,894	2,749	2,902	2,980	3,011	2,977	3,134
Dental	752	727	725	690	721	749	736
Nurse	33	10	32	7	29	10	29
Allied Health	120	95	118	102	146	154	177
Total Planned/Actual HPSP	3,789	3,581	3,777	3,479	3,907	3,890	4,076
Plan-to-Actual Percent	94.5%	92.1%	92.1%	92.1%	99.6%	98.4%	98.4%
Medical	299	232	303	188	318	195	135
Dental	27	12	30	10	21	10	16
Nurse	0	0	0	0	0	0	0
Allied Health	0	0	2	2	1	1	0
Total Planned/Actual FAP	326	244	335	200	337	206	151
Plan-to-Actual Percent	74.8%	59.7%	59.7%	59.7%	81.1%	147.7%	147.7%

Program Totals	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Medical	3,183	2,981	3,205	2,888	3,327	3,172	3,289
Dental	779	739	755	700	742	759	752
Nurse	33	10	32	7	29	10	29
Allied Health	120	95	120	104	146	155	172
Total Goal/Actual HPSP	4,115	3,825	4,112	3,679	4,244	4,096	4,227
Goal-to-Actual Percent	93.0%	89.5%	89.5%	89.5%	96.5%	100.1%	100.1%

Note: Does not include 40 FY06 Vet HPSP participants