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Stollman

DECISION

Last Day: October 13, 1976

APPROVED

OCT 12 1976

THE WHITE HOUSE
WASHINGTON

October 12, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON

Jani

SUBJECT: Enrolled Bill H.R. 5546 - Health Professions Educational Assistance Act of 1976

*Statement
made 10/13/76*

*10 AR. DIVES
10/13/76*

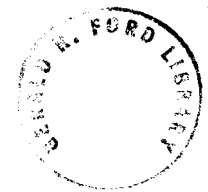
Attached for your decision is H.R. 5546 which extends through fiscal year 1980 authorities to provide financial support for the education and training of physicians, dentists, and other health professionals.

Background

H.R. 5546 extends and substantially expands the number of narrow categorical programs of support for the education of health professionals. These programs, initiated in a limited manner in the 1960's and expanded and broadened by the Comprehensive Health Manpower Act of 1971, provide Federal funds to medical, dental, and other health professions schools through grants to institutions (i.e., capitation, construction, special project grants) and student assistance. Authorizing legislation for these programs expired June 30, 1974. Since that time, the programs have been funded under a continuing resolution.

The House passed H.R. 5546 by a vote of 296-58 in July 1975. The Senate approved the bill one year later by a vote of 88-0. The conference bill was approved in both houses by voice vote.

The 1971 Health Manpower Act was designed to assist the schools to increase the numbers of students enrolled, in order to meet what was then perceived as a serious aggregate shortage of health professionals. During the subsequent 5 years, enrollments and graduates increased dramatically, and further increases are anticipated over the next few years.



Last year, the Department of Health, Education, and Welfare (HEW) submitted Administration legislation to Congress designed to shift the emphasis from Federal support merely to increase enrollments to getting schools to address the two most critical problems -- geographic and specialty maldistribution of physicians and dentists. The Administration proposed to provide capitation grants to schools agreeing to target their efforts on recruiting and training primary care and family medicine health professionals, and to medical dental students agreeing to serve in geographic areas experiencing critical shortages.

While the stated objectives of H.R. 5546 are similar to those proposed by the Administration, the enrolled bill differs greatly in its specific program authorizations and funding levels from the HEW proposal. Moreover, H.R. 5546 requires a significantly larger Federal role in health professions education, places more Federal requirements on the schools and provides less targeting of Federal funds.

Major Provisions

The provisions of this legislation are numerous and detailed, and are presented in OMB's enrolled bill report at Tab A. The major areas include:

- institutional support (capitation assistance, i.e., an amount for each student enrolled, special project grants, and construction grants),
- student assistance (loan and scholarship programs),
- foreign medical graduates (tightening immigration requirements), and,
- National Health Service Corps (NHSC) (completely revises NHSC authorities).

Budget

For fiscal year 1977, H.R. 5546 authorizes \$638 million, \$330 million more than the amounts you proposed. In fiscal year 1978, \$665 million is authorized, but in addition the legislation authorizes loan authority of \$500 million in 1978, \$510 million in 1979, and \$520 million in 1980 for the new Federal loan insurance program.

The 1977 Labor-HEW Appropriations Act -- which Congress enacted over your veto -- did not contain funds for health professions education activities because of a lack of authorizing legislation. Funding for these programs was included in the continuing resolution that the 94th Congress recently passed. Under the resolution, funding will stay at the 1976 level.

Detailed funding tables are in Paul O'Neill's memorandum at Tab I.

Arguments in Favor of Approval

1. The stated objectives of H.R. 5546 are similar to the Administration's objectives in that H.R. 5546 is designed to shift the focus of Federal aid toward increasing the number of primary care physicians and addressing the problems of geographic and specialty maldistribution. Though different in approach, the capitation, scholarship, special project and NHSC provisions of H.R. 5546 direct Federal funds to institutions and students agreeing to specialize in primary care fields and serve in health shortage areas.

2. H.R. 5546 has broad bipartisan support in both houses of Congress and, on balance, represents the best bill that the Administration can obtain at this time. It has taken Congress nearly two years to enact this legislation; disapproval could result in a long delay in achieving enactment of another health professions bill. Moreover, depending on the make-up of the 95th Congress, the prospect of achieving a bill closer to the Administration's proposal is uncertain at best.

3. The conferees on H.R. 5546 deleted a number of provisions which the Administration strongly opposed, e.g., requirements that HEW develop and establish licensure standards for doctors and dentists, Federal licensing of radiologic technicians, and Federal pre-emption of State laws relating to physician training. This represents a substantial concession toward the Administration's proposals.

4. Although H.R. 5546 contains a number of provisions opposed by the Administration, HEW believes they will not present insurmountable problems. Amendments can be sought next year, if necessary, to modify or repeal the quota provision relating to the admission of U.S. students attending foreign medical schools. Also, it is possible that problems stemming from the authorization "trigger" requiring full funding of the scholarship program and the excessive appropriation authorization levels can be worked out with the Appropriations Committees next year.

5. With respect to the National Health Service Corps, disapproval of H.R. 5546 could be interpreted as retreating from your commitment of substantially increased funding of \$25 million for 1977.

Arguments in Favor of Disapproval

1. While the objectives of H.R. 5546 are similar to those of the Administration, the specific program authorities and appropriation authorization levels are almost universally at odds with the Administration's specific proposals. You endorsed the concept of a substantial loan program, for example, as a way of enabling the students -- rather than the general taxpayers -- to finance those costs. H.R. 5546 provides the new loan program, but also increases the general taxpayer subsidy through the new programs and higher funding levels. All of the major programs that you proposed for phase-out or termination are continued and expanded. A substantial number of new narrow categorical programs are added and inappropriate Federal regulatory authorities are imposed, e.g., quotas for out-of-State enrollments and U.S. students from foreign medical schools. These requirements raise serious equity issues with respect to State institutions and out-of-State residents.

2. While H.R. 5546 did have substantially bipartisan support, it represents an undesirable direction for Federal health professions programs. The next Congress may feel differently when apprised of the basis for disapproval. Moreover, the absence of authorizing legislation for health professions programs in H.R. 5546 since 1974 enabled the Administration to hold funding at \$298

million in 1976 compared to an actual level of \$552 million in 1974. Thus, the absence of authorizing legislation has -- in the past -- resulted in actual appropriation levels closest to the Administration's budget goals. For example, under the continuing resolution in 1976, no funds were appropriated for construction grants -- as the Administration proposed.

3. While the conferees deleted a number of undesirable provisions in the House and Senate versions, many such provisions still remain. Moreover, approval of H.R. 5546 should be based on the provisions remaining -- not on the potential adverse impact of provisions that might have been included and might subsequently be included in a revised bill presented to the President.

4. As the 1977 Labor-HEW appropriation bill veto override demonstrates, HEW has had an exceedingly difficult time in working successfully with Congress to attain Administration funding levels, particularly when the authorization levels are double those proposed in the President's Budget.

5. The Administration commitment to NHSC is clear. The Administration has, however, always considered the NHSC program a demonstration program. The large and progressively increasing authorizations in H.R. 5546 -- \$47 million in 1978, \$57 million in 1979, and \$70 million in 1980 -- will cause States and local communities -- as well as some Federal agencies -- to view the direct provision of medical care for health manpower shortage areas to be an ongoing Federal responsibility. This view of the Federal role would be reinforced by approval of H.R. 5546 which contains new authority for HEW to make start-up, private practice grants to former NHSC members.

Moreover, in allowing a specific medical facility -- including a Federal medical facility, such as PHS hospitals -- to be designated as a health manpower shortage area under the NHSC program, the bill places HEW in the business of staffing community or Federal hospitals. Thus, communities and Federal agencies are encouraged to ignore staffing problems in their hospitals and pressure HEW to provide NHSC staff, as necessary.

6. Federal assistance to health professions schools is not necessary to attract students. In many instances health professions schools already turn away many qualified applicants. For medical schools, for example, there are three times as many qualified applicants as there are spaces.

Staff and Agency Recommendations

Approval

HEW

Max Friedersdorf

Disapproval

OMB

CEA (Greenspan) - "We believe the President should disapprove H.R.5546. It is inconsistent with the general Administration philosophy that while the Federal Government should help students finance their medical education, an increase in general taxpayer subsidies should be avoided".

Counsel's Office (Kilberg) defers to OMB

Bill Seidman

Recommendation

I join with Paul O'Neill in recommending that you veto H.R. 5546. Although the stated objectives of the bill represent concerns of your Administration, and embodies to a limited degree some Administration proposals, on balance, the legislation is a prime example of overkill.

The excessive funding levels, the extended and new maze of narrow categorical programs, the inappropriate Federal requirements and the unwarranted quotas on the health professions schools make this legislation an extensive departure from the appropriate Federal role articulated in your budget and legislative proposals.

Further, it is likely that stimulus that this measure would give the production of health professionals would in fact have a long run adverse affect on the current medical cost crisis. This results from the large number of professionals at all levels of the medical care system who are responsible for creating demand and thereby increasing utilization and costs. The carefully targeted support of only necessary types of health professionals, as the Administration originally proposed would correct this problem.

Decision

Sign H.R. 5546 at Tab B

Approve signing statement at Tab C which has been cleared by Doug Smith.

Approve MSY Disapprove _____

Veto H.R. 5546 and sign Memorandum of Disapproval at Tab D which has been cleared by Doug Smith.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OCT 8 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 5546 - Health Professions
Educational Assistance Act of 1976
Sponsor - Rep. Rogers (D) Florida

Last Day for Action

October 13, 1976 - Wednesday

Purpose

Extends and expands through fiscal year 1980, with major changes, authorities to provide financial support for the education and training of physicians, dentists, and other health professionals.

Agency Recommendations

Office of Management and Budget	Disapproval (Memorandum of disapproval attached)
Department of Health, Education, and Welfare	Approval (Signing statement attached)
Department of State	Favors enactment
Department of Labor	No objection
Department of Justice	Defers to HEW
Veterans Administration	Defers to HEW
Department of Defense	Defers to HEW (Informally)
Department of the Treasury	Would support a veto recommendation

Discussion

H.R. 5546 extends and substantially expands the number of narrow categorical programs of support for the education of health professionals. These programs, initiated in a limited manner in the 1960's and expanded and broadened by the Comprehensive Health Manpower Act of 1971, provide Federal funds to medical, dental, and other health professions schools through grants to institutions (i.e., capitation, construction, special project grants) and

student assistance. Authorizing legislation for these programs expired June 30, 1974. Since that time, the programs have been funded under a continuing resolution. The House passed H.R. 5546 by a vote of 296-58 in July 1975. The Senate approved the bill one year later by a vote of 88-0. The conference bill was approved in both houses by voice vote.

The 1971 Health Manpower Act was designed to assist the schools to increase the numbers of students enrolled, in order to meet what was then perceived as a serious aggregate shortage of health professionals. During the subsequent 5 years, enrollments and graduates increased dramatically, and further increases are anticipated over the next few years.

Last year, the Department of Health, Education, and Welfare (HEW) submitted Administration legislation to Congress designed to shift the emphasis from Federal support merely to increase enrollments to getting schools to address the two most critical problems--geographic and specialty maldistribution of physicians and dentists. The Administration proposed to provide capitation grants to schools agreeing to target their efforts on recruiting and training primary care and family medicine health professionals, and to medical and dental students agreeing to serve in geographic areas experiencing critical shortages.

While the stated objectives of H.R. 5546 are similar to those proposed by the Administration, the enrolled bill differs greatly in its specific program authorizations and funding levels from the HEW proposal. H.R. 5546 requires a significantly larger Federal role in health professions education, places more Federal requirements on the schools and provides less targeting of Federal funds. A summary comparison of the major provisions of H.R. 5546 with the Administration's proposal is appended as an attachment to the HEW enrolled bill letter. The principal features of the bill compared to your proposals are discussed below.

MAJOR PROVISIONS

Institutional support. The bulk of direct Federal funds for health professions schools has been awarded through two major grant programs--capitation assistance, i.e., an amount for each student enrolled, and special project

grant assistance. Both programs are continued by H.R. 5546.

Capitation grants. The Administration bill proposed to limit Federal capitation grants to \$1,500 for each student at medical, osteopathic, and dental (MOD) schools agreeing to address physician distribution problems on the grounds that they were the critical health professions that warranted Federal funding for specialty and geographic distribution efforts. Capitation for all other noncritical health professions schools, i.e., veterinary medicine, optometry, podiatry and pharmacy (VOPP) was to be phased out within 3 years.

H.R. 5546 continues capitation for MOD schools at \$2,000 to \$2,100 rather than \$1,500, at rates ranging from \$695 to \$1,450 for the non-critical VOPP schools, and adds a new program of \$1,400 per student at schools of public health. The bill requires MOD schools to agree to place more emphasis on developing primary care programs and imposes an extensive array of other Federal requirements--not contained in the Administration's proposals--on MOD and VOPP schools, as conditions of receiving capitation, including:

-- a requirement that medical schools accept a certain quota of U.S. students--as determined by the Secretary of HEW--who have completed 2 years of study at a foreign medical school;

-- mandatory enrollment increases of 5% (for schools with over 100 first-year students) and at least 2.5% or 5 students (for schools with fewer than 100 first year students) in schools of veterinary medicine, optometry, and podiatry, and public health schools;

-- a requirement that veterinary medicine schools assure the HEW Secretary that "the clinical training of the school shall emphasize predominately care to food-producing animals or to fibre-producing animals, or to both types of animals," and a requirement that veterinary medicine schools accept 30% out-of-State students;

-- a requirement that public optometry schools enroll at least 25%, and nonprofit private optometry schools at least 50%, of their students from out-of-State; and

-- a requirement that podiatry schools enroll at least 40% of their students from out-of-State.

Other requirements stipulate the details of training that osteopathy, dentistry and pharmacy students must receive. In certain cases, waivers by the HEW Secretary are permitted.

Special Project Grants. H.R. 5546 contains 24 separate narrow categorical authorities for special project grants. The Administration proposed a single, flexible special project grant authority, consolidating the existing categories of financial distress, aid to disadvantaged students, primary care residency programs and allied and public health grants.

H.R. 5546 continues most of the programs proposed for consolidation and adds several new narrow categorical funding programs including:

- area health education centers;
- general internal medicine and general pediatrics residencies and fellowships;
- the education of American students returning from foreign medical schools;
- physician assistants, expanded function dental auxiliaries and dental team practice;
- occupational health training and education centers;
- family medicine general practice dentistry departments; and
- educational assistance to individuals from disadvantaged backgrounds.

In addition, H.R. 5546 stipulates in one of the categorical grants 21 different project areas, ranging from "health manpower development for the Trust Territories" to "establishing humanism in health care centers" and "the special medical problems related to women."

Construction grants. H.R. 5546 continues the appropriation authorizations for Federal construction grants, loan guarantees, and interest subsidies, programs which you proposed for termination. It also makes schools of public health eligible for grant assistance. Your proposal reflected HEW's conclusion that a marked expansion in the number of health professionals was not necessary and therefore construction subsidies--which traditionally have been used to create additional enrollment spaces--should be phased out.

Student assistance. H.R. 5546 expands loan and scholarship programs for health professions students. Like the Administration bill, H.R. 5546 continues the requirement of Federal service for scholarship recipients. There are, however, substantial differences from the Administration proposal. For example, H.R. 5546:

- makes scholarships available to all health professions students, not just medical, osteopathic and dental (MOD) students;

- authorizes scholarship recipients to satisfy their required service commitment by doing medical research;

- provides for a pay-back penalty three times the scholarship amounts plus interest if a scholarship recipient fails to keep his commitment;

- provides annual stipends of \$4,800 per year instead of the current level of \$3,600, to be adjusted each year along with Federal employees salaries, and

- mandates funding at the full appropriation authorizations for the scholarship program if capitation grants to MOD schools equal 75 percent of the appropriations authorized.

H.R. 5546 also continues the program of Federal capital contributions to school student loan funds, a program recommended for termination by the Administration. New forms of student assistance authorized by H.R. 5546, but not proposed by the Administration, include:

- scholarships for students of exceptional need;

- assistance to disadvantaged individuals in allied health training;
- advanced allied health professions traineeships;
- graduate health program traineeships; and
- a new Lister Hill scholarship program for students willing to practice family medicine in shortage areas.

The enrolled bill creates a major new health professions student loan guarantee program and a student loan insurance fund for health professions students. The amounts that the Secretary of HEW could guarantee are \$500 million in 1978, \$510 million in 1979, and \$520 million in 1980. Under the new program, the total and annual amounts that health professions students can borrow under Federal guarantee would be limited to \$50,000 in total and \$10,000 annually, except for pharmacy students who would be limited to \$37,500 in total and \$7,500 annually. The Federal Government would insure 100% of the loans plus interest--on a "full faith and credit of the United States" basis. The loans could not bear an interest rate in excess of 10%, and the Secretary of HEW would be authorized to charge annual insurance fees not to exceed 2%.

If students subsequently agree to service in the National Health Service Corps or in private practice in an area approved by the Secretary, the Federal Government would repay the student's loan at a rate not to exceed \$10,000 a year. In order for students to be eligible for these loans, however, the institutions they attend must agree to the full range of capitation grant conditions as briefly discussed above. Moreover, only 50% of the MOD students in each class at any one institution can receive loans.

While the Administration favors the concept of encouraging health professions students to finance their training, particularly in light of their relatively high income expectations, no specific Administration proposals were made. Moreover, many of the specific provisions are inconsistent with Administration policy, e.g., the 10% limit on interest, the 100% Federal insurance exposure for principal and interest, and the absence of a requirement that private financing for loans is not otherwise available, (in order to minimize unnecessary Federal involvement in credit markets).

Foreign medical graduates. H.R. 5546 requires alien physicians to pass parts I and II of the National Board of Medical Examiners and to be competent in oral and written English before they can immigrate to the United States. In addition, it tightens the requirements for participation by alien physicians in the exchange visitor program. The Administration has opposed the bill's requirements regarding immigration of alien physicians, but has supported the changes in the exchange visitor program.

National Health Service Corps (NHSC). The Administration proposed a limited number of changes in the National Health Service Corps program authorities. These included:

- one-time grants to communities of up to \$10,000 to assist them in defraying the initial costs of establishing medical practices;

- authorizing HEW to transfer Federal equipment and supplies at NHSC sites to a community; and

- allowing the communities with NHSC sites to retain some of the fees to repay a community's investment in developing the site.

H.R. 5546 goes substantially beyond the minimal changes proposed by the Administration, including a complete rewrite of NHSC authorities. Among the new provisions are amendments to:

- increase the salary of Corps members for the first 3 years of service to a level comparable to that of private practitioners (but by not more than \$1,000 a month),

- guarantee that the income of a Corps member stays at least at the same level as in the last month of his initial 36 months of NHSC service,

- expand significantly the current definition of "health manpower shortage areas" to include urban areas; population groups that are underserved; private, nonprofit or public facilities including Federal facilities (e.g., PHS hospitals), that the Secretary of HEW determines have a shortage,

-- authorize the HEW Secretary to award former NHSC members grants of \$12,500 or \$25,000 for one or two years' previous service, respectively, to establish practices in areas approved by the Secretary,

-- require that areas with the greatest shortages be given priority in the assignment of NHSC personnel, and

-- modify the current authority for assistance in starting NHSC practices from one for a \$25,000 grant to one for a \$50,000 loan.

Financing. The table below contains a summary comparison of the appropriation authorizations provided by H.R. 5546 with the amounts requested in your 1977 Budget and proposed in the Administration bill. The table at Attachment A shows the amounts authorized for each program in H.R. 5546. For fiscal year 1977, H.R. 5546 authorizes \$638 million, \$330 million more than the amounts you proposed, as shown in the following summary table:

	1976 <u>Actual</u>	1977		1978
		<u>Budget</u>	H.R. <u>5546</u>	H.R. <u>5546</u>
Construction	2	-0-	127	42
Capitation grants	101	120	163	220
Special projects	98	128	201	195
Student assistance	82	35	113	161
National Health Service Corps	<u>15</u>	<u>25</u>	<u>34</u>	<u>47</u>
Total	298	308	638	665

The 1977 Labor-HEW Appropriations Act--which Congress enacted over your veto--did not contain funds for health professions education activities because of a lack of authorizing legislation. Funding for these programs was included in the continuing resolution that the 94th Congress recently passed. Under the resolution, funding will stay at the 1976 level.

In addition to the appropriations authorizations above, H.R. 5546 authorizes loan authority of \$500 million in 1978, \$510 million in 1979 and \$520 million in 1980 for the new Federal loan insurance program.

Arguments in Favor of Approval

1. The stated objectives of H.R. 5546 are similar to the Administration's objectives in that H.R. 5546 is designed to shift the focus of Federal aid toward increasing the number of primary care physicians and addressing the problems of geographic and specialty maldistribution. Though different in approach, the capitation, scholarship, special project and NHSC provisions of H.R. 5546 direct Federal funds to institutions and students agreeing to specialize in primary care fields and serve in health shortage areas.

2. H.R. 5546 has broad bipartisan support in both houses of Congress and, on balance, represents the best bill that the Administration can obtain at this time. It has taken Congress nearly two years to enact this legislation; disapproval could result in a long delay in achieving enactment of another health professions bill. Moreover, depending on the make-up of the 95th Congress, the prospect of achieving a bill closer to the Administration's proposal is uncertain at best.

3. The conferees on H.R. 5546 deleted a number of provisions which the Administration strongly opposed, e.g., requirements that HEW develop and establish licensure standards for doctors and dentists, Federal licensing of radiologic technicians, and Federal pre-emption of State laws relating to physician training. This represents a substantial concession toward the Administration's proposals.

4. Although H.R. 5546 contains a number of provisions opposed by the Administration, HEW believes they will not present insurmountable problems. Amendments can be sought next year, if necessary, to modify or repeal the quota provision relating to the admission of U.S. students attending foreign medical schools. Also, it is possible that problems stemming from the authorization "trigger" requiring full funding of the scholarship program and the excessive appropriation authorization levels can be worked out with the Appropriations Committees next year.

5. With respect to the National Health Service Corps, disapproval of H.R. 5546 could be interpreted as retreating from your commitment of substantially increased funding of \$25 million for 1977.

Arguments in Favor of Disapproval

1. While the objectives of H.R. 5546 are similar to those of the Administration, the specific program authorities and appropriation authorization levels are almost universally at odds with the Administration's specific proposals. You endorsed the concept of a substantial loan program, for example, as a way of enabling the students--rather than the general taxpayers--to finance those costs. H.R. 5546 provides the new loan program, but also increases the general taxpayer subsidy through the new programs and higher funding levels. All of the major programs that you proposed for phase-out or termination are continued and expanded. A substantial number of new narrow categorical programs are added and inappropriate Federal regulatory authorities are imposed, e.g., quotas for out-of-State enrollments and U.S. students from foreign medical schools. These requirements raise serious equity issues with respect to State institutions and out-of-State residents.

2. While H.R. 5546 did have substantially bipartisan support, it represents an undesirable direction for Federal health professions programs. The next Congress may feel differently when apprised of the basis for disapproval. Moreover, the absence of authorizing legislation for health professions programs in H.R. 5546 since 1974 enabled the Administration to hold funding at \$298 million in 1976 compared to an actual level of \$552 million in 1974. Thus, the absence of authorizing legislation has--in the past--resulted in actual appropriation levels closest to the Administration's budget goals. For example, under the continuing resolution in 1976, no funds were appropriated for construction grants--as the Administration proposed.

3. While the conferees deleted a number of undesirable provisions in the House and Senate versions, many such provisions still remain. Moreover, approval of H.R. 5546 should be based on the provisions remaining--not on the

potential adverse impact of provisions that might have been included and might subsequently be included in a revised bill presented to the President.

4. As the 1977 Labor-HEW appropriation bill veto override demonstrates, HEW has had an exceedingly difficult time in working successfully with Congress to attain Administration funding levels, particularly when the authorization levels are double those proposed in the President's Budget.

5. The Administration commitment to NHSC is clear. The Administration has, however, always considered the NHSC program a demonstration program. The large and progressively increasing authorizations in H.R. 5546--\$47 million in 1978, \$57 million in 1979, and \$70 million in 1980--will cause States and local communities--as well as some Federal agencies--to view the direct provision of medical care for health manpower shortage areas to be an ongoing Federal responsibility. This view of the Federal role would be reinforced by approval of H.R. 5546 which contains new authority for HEW to make start-up, private practice grants to former NHSC members.

Moreover, in allowing a specific medical facility--including a Federal medical facility, such as PHS hospitals--to be designated as a health manpower shortage area under the NHSC program, the bill places HEW in the business of staffing community or Federal hospitals. Thus, communities and Federal agencies are encouraged to ignore staffing problems in their hospitals and pressure HEW to provide NHSC staff, as necessary.

6. Federal assistance to health professions schools is not necessary to attract students. In many instances health professions schools already turn away many qualified applicants. For medical schools, for example, there are three times as many qualified applicants as there are spaces.

Recommendations

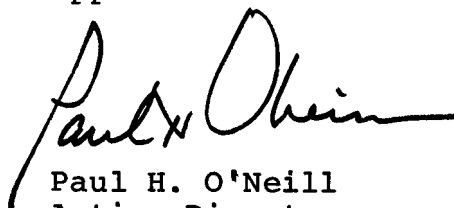
HEW recommends your approval of H.R. 5546 in its enrolled bill letter, stating:

"Although H.R. 5546 differs in a number of respects from the Administration's proposals, the principal program objectives set forth by the Administration would in large measure be carried out... If the bill is allowed to die, we believe it is doubtful that a measure more favorable to the Administration's position could be enacted in the next Congress."

The Departments of Justice, Treasury and Labor identify concerns that they have with specific provisions of the bill, although they do not recommend disapproval. Justice, in particular, points out that the section requiring medical schools, as a condition of receiving grant funds, to admit a certain number of U.S. students from foreign medical schools "is almost certain to generate litigation ...to which the United States will be a party." Justice also points out that Congress at the same time "also enacted section 408 of S. 2657, proposed Education Amendments of 1976, which would amend the General Education Provisions Act to make it unlawful for the Secretary to defer or limit any Federal education financial assistance on the basis of a school's failure to comply with student admission quotas."

We believe that H.R. 5546 should be disapproved. In its entirety, H.R. 5546 does not carry out "in large measure" Administration objectives. On the contrary, it represents an extensive departure from the appropriate Federal role articulated in your budget and legislative proposals. It contains excessive funding levels, a new maze of narrow categorical program authorities, inappropriate Federal requirements and unwarranted quotas on the health professions schools. We believe that your public disapproval and the reasons therefor can substantially influence the next Congress.

A draft memorandum of disapproval is attached for your consideration.



Paul H. O'Neill
Acting Director

Enclosures

Comparison of the H.R. 5546 with the Administration Proposal
(\$ in millions)

	1976 Appropriation	1977		H.R. 5546		
		President's Budget	H.R. 5546	1978	1979	1980
Construction:						
Grants	--	--	103	40	40	40
Interest subsidies	2	--	24	2	3	3
Capitation:						
MOD	83	113	134	177	186	197
VOPP	18	7	29	33	33	34
*Public health	--	--	--	10	11	11
Special projects:						
Consolidated Grant.....	--	128	--	--	--	--
*Start-up, financial distress interdisciplinary training and curriculum development.....	--	--	41	25	25	25
*Graduate programs in health administration.....	--	--	--	3	4	4
Start-up and conversion.....	3	--	5	--	--	--
Financial distress.....	5	--	5	--	--	--
*Area health education centers... Health manpower education initiatives.....	--	--	--	20	30	40
*Recruitment of disadvantaged students.....	38	--	41	--	--	--
*Family medicine training.....	--	--	--	20	20	20
*Family medicine and general dentistry.....	15	--	39	--	--	--
*U.S. student transfers from foreign medical schools.....	--	--	--	40	45	50
*Physician assistants and dental auxiliaries.....	--	--	2	2	3	4
*Public health and graduate programs in health adminis- tration.....	--	--	--	25	30	35
*Occupational health training and educational centers.....	--	--	--	5	5	6
*Family medicine departments.....	--	--	5	5	8	10
*General internal medicine and pediatric residencies.....	--	--	--	10	15	20
*New medical schools.....	--	--	10	15	20	25
Computer technology.....	--	--	--	2	2	2
Allied health special improvement.	--	--	15	--	--	--
Allied health recruitment.....	11	--	11	--	--	--
Allied health R&D.....	**	--	**	1	1	1
Allied health projects.....	14	--	15	--	--	--
*Allied health projects.....	--	--	--	22	24	26
Public health schools formula grants	6	--	6	--	--	--
Public health school project awards	6	--	6	--	--	--
Student assistance:						
Capital contributions to school loan funds.....	24	--	39	26	27	28
*Federal loan insurance fund.....	--	--	--	2	2	2
*Scholarships for needy students.	--	--	--	16	17	18
National health service corps scholarships.....	22	35	40	75	140	200
Federal repayment of student loans.....	6	--	**	**	**	**
Health professions scholarships.	4	--	--	--	--	--
Public health traineeships.....	9	--	10	8	8	9
*Graduate health traineeships....	--	--	--	3	3	3
Allied health traineeships.....	4	--	4	5	5	5
*Assistance to disadvantaged individuals in allied health training.....	--	--	--	1	1	1
Nurse traineeships.....	13	--	20	25	--	--
*Lister Hill scholarships.....	--	--	**	**	**	**
National Health Service Corps.....	15	25	34	47	57	70
*Private practice grants to former NHSC members.....	--	--	**	**	**	**
Total authorizations	298	308	638	665	765	889
*Guaranteed loan authority.....	--	--	--	500	510	520

*New programs

**Entitlement, "such sums" or less than \$1 million

Department of Justice
Washington, D.C. 20530

October 8, 1976

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D.C. 20503

Dear Mr. Lynn:

In compliance with your request, I have examined facsimiles of enrolled bills, H.R. 5546, the proposed "Health Professions Education Assistance Act of 1976," and S. 2657, the proposed "Education Amendments of 1976."

With respect to H.R. 5546, we have been asked to direct our attention to section 601 of the bill and proposed section 771(b)(3) in section 502 of the bill. Section 601 would make a number of amendments to the Immigration and Nationality Act concerning the admission of foreign medical graduates. The section 601 amendments present no significant legal problems.

Such is not the case, however, with proposed section 771(b)(3) of title VII of the Public Health Service Act which would require medical schools, as a condition to receiving grant funds, to set aside certain student positions for qualified United States citizens who are students in foreign medical schools. These students would be identified by the Secretary of Health, Education and Welfare.

Proposed section 771(b)(3) is almost certain to generate litigation--litigation to which the United States will be a party. Indeed, it is ironic that this same Congress, within two days, also enacted section 408 of S. 2657, proposed Education Amendments of 1976, which would amend the General Education Provisions Act to make it unlawful for the Secretary to defer or limit any Federal education financial assistance on the basis of a school's failure to comply with student admission quotas.

In spite of this Department's view that proposed section 771(b)(3) is unwise and unsound, we defer to the Department of Health, Education, and Welfare on the question whether H.R. 5546 should receive Executive approval. We also defer to that Department on the question whether S. 2657 should receive Executive approval.

Sincerely,



Michael M. Uhlmann
Assistant Attorney General



VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420



October 7, 1976

The Honorable
James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

This will respond to your request for the views and recommendations of the Veterans Administration on the enrolled enactment of H.R. 5546, 94th Congress, the "Health Professions Educational Assistance Act of 1976."

Among other things, the enrolled enactment provides the following:

- (1) Amends the Public Health Service Act to revise and extend health manpower programs, the National Health Service Corps program, and the National Health Service Corps scholarship program;
- (2) Directs the Secretary of HEW to establish a program to compile and analyze, for all of the United States, its territories and possessions, a wide range of health professions data such as basic demographic information, practice characteristics, and training and licensure. The Secretary shall collect the available information from the appropriate local, State, and Federal agencies;
- (3) Authorizes grants to schools of public health for the support of educational programs;
- (4) Authorizes grants to public or nonprofit private educational entities to support the graduate educational programs in health administration, hospital administration, and health planning, and grants to develop new programs or expand existing programs;

(5) Authorizes project grants and contracts to assist in establishing a regional or state system for coordination and management of education and training at various levels for allied health personnel and nurses, grants for traineeships for advanced training of allied health personnel to teach in training programs or to serve in administrative or supervisory positions; and

(6) Authorizes grants to provide assistance to disadvantaged individuals (including veterans with military training or experience in the health field) so they can receive training in the allied health field.

The provisions of the bill will be administered by the Department of Health, Education, and Welfare, and to that extent we defer to the views of that Department.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard L. Roudebush". The signature is fluid and cursive, with a large initial "R".

Deputy Administrator - in the absence of

RICHARD L. ROUDEBUSH
Administrator



THE DEPUTY SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

OCT 8 1976

Director, Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Assistant Director for Legislative
Reference

Sir: .

This report responds to your request for the views of this Department on the enrolled enactment of H.R. 5546, the "Health Professions Educational Assistance Act of 1976."

Section 401 of the enrolled enactment would establish a new loan insurance program for certain medical students. In a report of August 17, 1976 to OMB, the Department recommended that the bill be amended to require a finding that credit is not otherwise available on reasonable terms prior to issuing any guarantee. Such a provision would help to limit loan insurance to cases of demonstrated need for credit assistance and to minimize unnecessary Federal involvement in the credit markets. The August 17 report also recommended that the coverage of the insurance be limited to less than 100 percent of principal and interest. Such a limitation could significantly reduce Federal losses on guaranteed loans, would provide lenders with incentives to exercise their normal credit evaluation and loan servicing functions, and would help to foster normal borrower-lender relationships. The amendments recommended in the August 17 report are not incorporated in the enrolled enactment.

New section 754 of the Public Health Service Act as proposed to be added by section 408 of the enrolled enactment contains a formula for determining the amount the United States is entitled to recover from individuals who breach service obligation contracts. The formula includes "interest at the maximum legal prevailing rate, as determined by the Treasurer of the United States." The authority to make such interest rate determinations under other statutes is vested directly in the Secretary of the Treasury, and such determinations would not be an appropriate function for the Treasurer of the United States. It should be understood that any interest rate determinations under proposed section 754 would be made by the Secretary or his delegate in keeping with normal practices, notwithstanding the language quoted above. Also, Congressional intent in the use of the language, "maximum legal prevailing rate" is not clear.

The Department takes no position on the rest of the enrolled enactment, but based on our opposition to the provisions discussed above, we would support a recommendation that the enrolled enactment not be approved by the President.

Sincerely yours,



George H. Dixon



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OCT 7 1976

The Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

This is in response to your request for a report on H.R. 5546, an enrolled bill "To amend the Public Health Service Act to revise and extend the programs of assistance under title VII for training in the health and allied health professions, to revise the National Health Service Corps program and the National Health Service Corps scholarship training program, and for other purposes."

We recommend that the President sign the enrolled bill. Although H.R. 5546 differs in a number of respects from the Administration's proposals, the principal program objectives set forth by the Administration would in large measure be carried out. These objectives include ameliorating problems of geographic maldistribution with respect to physicians and dentists and increasing the percentage of physicians engaged in primary care.

The enrolled bill addresses six major issues in the area of health manpower. First, it would authorize Federal assistance for the construction of teaching facilities, with special emphasis on primary, ambulatory care facilities. Second, it would establish a program of privately made but federally guaranteed loans for health professions students. Third, the enrolled bill would extend the National Health Service Corps (NHSC) program. Fourth, it would extend and expand the existing scholarship program for health professions students and require, in exchange for scholarship support, service in a health manpower shortage area. Fifth, H.R. 5546 would extend the program of capitation payments

to health professions schools while establishing new conditions for these payments which are designed to insure an increase in the percentage of physicians who will practice primary care. Sixth, the enrolled bill would provide support for a number of health manpower special projects. H.R. 5546 would authorize appropriations of \$595.8 million for fiscal year 1977 (the President requested \$307.5 million), \$634.9 million for FY 1978 (the Department has requested \$353.5 million), \$753.6 million for FY 1979, and \$876.7 million for FY 1980. A detailed description of the provisions of the enrolled bill (including a table of authorizations), and a comparison of them with those of the Administration, appear at Tab A.

In weighing the overall merit of the enrolled bill, several provisions need to be addressed. The appropriation authorizations greatly exceed the levels of funding sought by the Administration. In addition, the bill would require that, if at least 75 percent of the amounts authorized for capitation were appropriated, then the full authorization for scholarships (but only up to 50 percent of the total health manpower appropriation) must be appropriated, or no funds at all could be appropriated for health manpower. This could require an appropriation for FY 1978, for example, of \$91 million for scholarships, as contrasted to our request of \$45 million. Although we strongly dislike this "trigger" provision and the high authorization levels, we believe that the appropriations committees may be sympathetic to holding total funding to a reasonable level and in particular to holding the capitation appropriations below the 75 percent "trigger". We would make every effort during the appropriations process to achieve these goals. Moreover, it would be our intention to submit amendments to the Ninety-Fifth Congress to repeal the "trigger" and lower the appropriation authorizations.

An equally troublesome provision of the bill would require medical schools, as a condition of capitation, to accept over a three year period (with certain exceptions) all American students who were in foreign medical schools before enactment of H.R. 5546, completed two years of study in such schools, and passed part I of the National Board of Medical Examiners Examination. The Secretary would be required to allocate positions for such students on a school-

by-school basis. This provision has two troublesome aspects. First, the number of students out of the more than 6,000 Americans in foreign medical schools who could qualify for the benefits of this provision is potentially much greater than was realized by the Congress when they inserted this provision into H.R. 5546. Second, it would place the Secretary in the position of requiring each school to take a certain quota of students, even if the students did not meet the usual academic standards of a particular school. There are some medical schools who find this provision so onerous that they oppose the enactment of H.R. 5546. If they failed to comply with the provision they would lose both their capitation support and consequently eligibility to participate in the new student loan program established by the enrolled bill. We intend to propose an amendment to correct this problem.

The capitation condition concerning the percentage of residency positions to be allocated for primary care training would initially apply to medical schools in the aggregate, rather than individually. While this could permit some schools to receive capitation assistance while making no changes in their residency programs, we believe that the provision would still meet our original objective, that of increasing the total number of residents being trained in primary care.

The scholarship provisions of the bill include a requirement that if a student failed to carry out his service obligation he would have to repay to the Federal government three times the amounts he received, plus interest (with an appropriate adjustment if he performed a portion of his service obligation). We feel this payback penalty is excessive, and would have preferred only a double payback requirement.

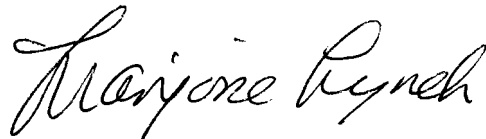
Despite certain drawbacks, however, the enrolled bill as a whole would materially assist in achieving the health manpower goals which this Administration supports. The scholarship for service program, the National Health Service Corps extension, the new guaranteed loan authority, and funding for special projects such as area health education centers would provide Federal leverage to deal with the important national problem of the maldistribution of physicians and dentists. The requirements for capitation

concerning residency positions and funding for special projects such as the establishment and development of departments of family medicine would assist in increasing the proportion of our health professionals practicing primary health care delivery.

The Congress was sympathetic to a number of our concerns and made modifications in the bill accordingly. For example, a title setting Federal standards for the training and licensing of professionals who work with radiation equipment, which we strongly opposed, was deleted. There is broad bipartisan support for the bill, as well as support from most of the interest groups in the health manpower area. If the bill is allowed to die, we believe it is doubtful that a measure more favorable to the Administration's position could be enacted in the next Congress.

While we recognize that the bill contains some provisions highly undesirable not only to us but also to some medical schools, we recommend, on balance, that the President sign the enrolled bill, and we enclose a draft signing statement.

Sincerely,

A handwritten signature in cursive script that reads "Marjorie Lynch". The signature is written in dark ink and is positioned above the typed name.

Under Secretary

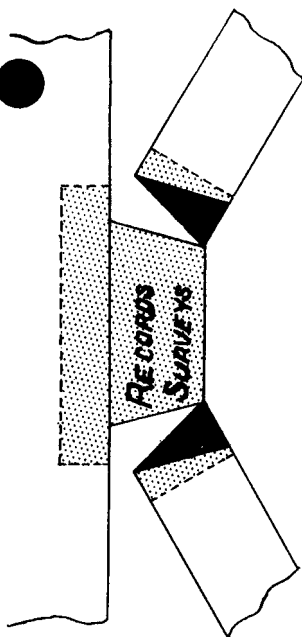
Enclosures

**HOW TO USE
THESE SEPARATORS**

Use one page for
each separation.

Select appropriate
tab, add further
identification if
desired, and cover
it with scotch
tape.

Cut off and discard
all tabs except the
one covered by tape.



COMPARISON OF THE MAJOR PROVISIONS OF
H.R. 5546 WITH THE ADMINISTRATION'S PROPOSALS
ON HEALTH MANPOWER

I. Appropriation authorizations (in millions of dollars).

	<u>FY 1977</u>		<u>FY 1978</u>		<u>FY 1979</u>	<u>FY 1980</u>
	H.R. 5546	Budget	H.R.5546	HEW budget request	H.R.5546	H.R.5546
Scholarships & Traineeships	53.9	35.0	105.7	45.0	172.7	235.3
Student loans	39.1	0.0	26.0	15.0	27.0	28.0
Special projects	204.8	128.0	199.7	130.5	230.0	265.8
Capitation	163.0	120.0	219.0	120.0	226.9	237.6
Construction	103.0	0.0	40.0	0.0	40.0	40.0
National Health Service Corps	34.0	24.5	47.0	43.0	57.0	70.0
TOTAL	597.8	307.5	637.4	353.5	753.6	876.7

II. Time period covered.

The enrolled bill would continue the existing scheme of health manpower programs through fiscal year 1977, and revise and extend these programs for fiscal years 1978 through 1980.

The Administration has concurred.

III. Construction.

H.R. 5546 would authorize grants, interest subsidies, and loan guarantees for the construction of health professions teaching facilities. Fifty percent of the grant funds would be

for ambulatory, primary care teaching facilities for physicians and dentists.

The Administration has opposed grants and interest subsidies for health professions teaching facilities, but favored loan guarantees.

IV. Student loans.

A. New loan authority.

The enrolled bill would permit the Secretary to fully guarantee 10 to 15 year loans made by schools eligible for capitation payments under H.R. 5546 and by loan institutions to students of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, and public health, and students of pharmacy who had completed three years of training. Loans could be up to \$10,000 per year, with a \$50,000 maximum total per student, but with 25 percent lower ceilings for pharmacy students. The interest charged could not be more than 10 percent, and an additional amount of up to 2 percent would be collected and paid to the Secretary to provide an insurance fund for defaults. Payment of principal would be deferred until a student completed school and for three years of internship and residency. No more than 50 percent of each class of a school of medicine, osteopathy, or dentistry (MOD) could receive these loans. Loan obligations could not be discharged in bankruptcy until five years after payments of principal first became due. The Secretary could also forgive up to \$10,000 annually of the amount due on a loan in return for service in a health manpower shortage area.

The Administration has favored this kind of loan authority, but has suggested an interest rate of up to 12 percent, a loan period of 15 to 20 years, deleting the 50 percent per class limitation in relation to MOD schools, requiring the lender himself to insure 10 percent of each loan, and deleting the loan forgiveness authority.

B. Federal capital contributions to schools' student loan funds.

H.R. 5546 would continue the program of Federal capital contributions to schools' student loan funds, but beginning in fiscal year 1978 new medical and osteopathic students could

receive such loans only if they were of exceptional financial need. The interest rate would be raised from 3 to 7 percent. Retroactive payment of these loans by the Secretary would be allowed for certain Public Health Service personnel who had not entered into formal agreements to serve in manpower shortage areas.

The Administration has opposed the extension of this program and the making of retroactive payments.

V. National Health Service Corps.

The enrolled bill would modify the existing program by increasing the salary of Corps members for the first three years of service (not including service performed due to a scholarship obligation) to a level comparable to that of private practitioners (but by not more than \$1,000 a month), requiring the unit which administers the capitation program to participate in the development of NHSC regulations and funding priorities and to be consulted by the Secretary concerning the award of NHSC grants and contracts, permitting individual facilities to be designated as "health manpower shortage areas", requiring that areas with the greatest shortages be given priority in the assignment of NHSC personnel, and modifying the authority for assistance in starting NHSC practices from one for a \$25,000 grant to one for a \$50,000 loan.

The Administration has supported the continuation of the NHSC program, but without the changes described above.

VI. Scholarships and traineeships

A. Traineeships

H.R. 5546 would authorize the Secretary to make grants for traineeships in public health and related areas and in the allied health professions.

The Administration has not recommended any support for such traineeships.

B. Scholarships

The enrolled bill would provide for NHSC scholarships of \$4,800 per year (adjusted each year along with Federal employees' salaries), plus educational expenses, to medical, dental, and nursing students (and to other health professions students, if needed by the NHSC) in return for one year of service for each year of scholarship (but a minimum of two years total). Priority for scholarships for school years ending after fiscal year 1977 would be given to first year students. Participants could choose to serve as NHSC commissioned officers, as NHSC civilian employees, or as private practitioners, in any case in full-time clinical practice in health manpower shortage areas. The Secretary could allow participants showing exceptional promise for medical research to fulfill their commitments by doing research. Participants would be permitted to complete three years of internship and residency before commencing their period of service. Participants breaching their agreement to perform service would have to pay back within one year three times the scholarship amounts they had received, plus interest. The Secretary would be authorized to make a grant of \$12,500 and \$25,000 to participants who agreed, after their period of obligated service, to engage in private practice in a shortage area for one or two more years, respectively. H.R. 5546 would also authorize scholarship support, without a service commitment, to first year health professions students of exceptional financial need. The enrolled bill would also provide that, if funds appropriated for capitation payments to medical, osteopathic, and dental schools equalled at least 75 percent of the amounts authorized, then the full amounts authorized for scholarships (but only up to 50 percent of the total appropriated for health manpower activities) would have to be appropriated, or no health manpower funds at all could be appropriated.

The Administration has proposed a similar scholarship program, but limited to medical, osteopathic, and dental students, without priority to first year students, with stipends of \$3,600 per year, plus educational expenses, without provision for satisfying the service commitment through research, with a breach of contract penalty of only two times the scholarship amounts received, plus interest, without

start-up grant assistance to participants who agree to remain in shortage areas after completing their period of service, and without the restrictions in the enrolled bill concerning the amount of appropriations for the scholarship program. The Administration has also proposed to provide assistance to students of exceptional financial need under an overall special projects authorization.

VII. Capitation.

H.R. 5546 would authorize the following payments per student for fiscal years 1978 through 1980:

- (1) for medical, osteopathic, and dental schools, \$2,000 for FY 1978, \$2,050 for FY 1979, and \$2,100 for FY 1980,
- (2) for schools of public health, \$1,400,
- (3) for schools of veterinary medicine, \$1,450,
- (4) for optometry schools, \$765,
- (5) for pharmacy schools, \$695, and
- (6) for podiatry schools, \$965.

Schools would have to satisfy certain conditions to receive these capitation payments. Of particular importance, medical schools as a whole would be required, by summer of 1977, to have 35 percent of their first-year residencies in primary care, by the summer of 1978, 40 percent, and by the summer of 1978, 50 percent. If in any year this overall condition were not met, a particular medical school would receive a capitation payment only if by the following summer it individually had met the required percentage. Each medical school in 1977 through 1979 would also be required (subject to a hardship waiver) to set aside a number of places determined by the Secretary for Americans who had enrolled in foreign medical schools before enactment of H.R. 5546, had completed two years of study in such schools, and who had passed part I of the National Board of Medical Examiners Examination. Sufficient places would have to be allocated to meet the needs

of all such students. Osteopathic schools would be required to provide at least six weeks of remote site training annually, while dental schools would have to provide such training, make enrollment increases, and allocate at least 70 percent of new positions in specialty programs to general dentistry or pedodontics.

The Administration has proposed a similar program. Payments, however, would be limited to medical, osteopathic, and dental schools, and would be at a level of \$1,500 per student. Residency requirements would not apply solely to first year positions and would be imposed from the beginning on medical schools individually, not collectively. All schools would have to set aside a certain percentage (to be phased in to reach 25 percent) of their first year places for students who agreed to accept NHSC scholarships, if offered. All schools would also be required to have a department or administrative unit emphasizing primary care. There would be no requirement in relation to U.S. students of foreign medical schools.

VIII. Alien physicians.

The enrolled bill would require alien physicians to pass parts I and II of the National Board of Medical Examiners Examination and to be competent in oral and written English before they could immigrate to the United States. In addition, the enrolled bill would tighten the requirements for participation by alien physicians in the exchange visitor program.

The Administration has opposed the bill's requirements regarding immigration of alien physicians, but has supported the changes in the exchange visitor program.

IX. Special projects.

The enrolled bill would provide a number of separate authorizations for various special health manpower projects, in particular for:

- (1) graduate programs in health administration,

- (2) new or expanded programs in public health and administration,
- (3) allied health manpower programs,
- (4) the establishment and maintenance of departments of family medicine,
- (5) area health education centers,
- (6) the education of American students returning from foreign medical schools,
- (7) physician and dental assistants,
- (8) training in general internal medicine and pediatrics,
- (9) occupational health training and education centers,
- (10) training in family medicine and general dentistry,
- (11) educational assistance to individuals from disadvantaged backgrounds, and
- (12) health professions schools start-up assistance, meeting costs to alleviate financial distress, interdisciplinary training, and for various health professions education programs.

The Administration has proposed funding similar projects, but under the authority of one general authorization.

X. Delegation of authority.

The enrolled bill would prohibit the Secretary from delegating to regional offices the authority to make grants or enter into contracts concerned with health manpower, or to review or comment on grant or contract applications to be presented to the National Advisory Council on Health Professions Education.

The Administration has opposed this provision.

XI. Shared schedule residency training positions.

H.R. 5546 would require hospitals or medical schools which receive any Federal assistance and which have residency programs in the various fields of primary care medicine (including general obstetrics and gynecology) to establish a reasonable number of their training positions as positions shared by two individuals on a part-time basis.

The Administration has not proposed such a provision.

DRAFT PRESIDENTIAL SIGNING STATEMENT

Today I am signing legislation which will materially assist in insuring that all Americans throughout the country will have sufficient access to physicians and dentists. Last year the Administration submitted to Congress a legislative proposal based on findings which showed that while there was no longer a shortage in the total number of physicians in the United States, there were alarming signs that this country was facing two growing problems with respect to these practitioners. These were not enough doctors in rural and inner city areas and a continuing decline in the number of doctors practicing primary care, i.e., the problem of specialty maldistribution.

I am pleased that the bill before me specifically addresses those issues which we identified as being of greatest concern. Although the bill contains some undersirable features, I believe that, on balance, it represents a definite step toward improving health care delivery, and, accordingly, warrants my signature.

There are several provisions of this legislation which will be instrumental in solving the problems of geographic and specialty maldistribution. The bill continues and expands a scholarship program which will provide individuals with financial assistance to attend medical school. In exchange for these scholarships, each recipient will be required to serve in a health manpower shortage area for a period of at least two years. Coupled with this scholarship program, the bill authorizes the establishment of a Federal program of insured loans--a proposal I have supported--to assist health professions students. This program virtually assures that no individual will be denied a medical education for financial reasons. Also the bill establishes a program of special assistance to disadvantaged students in an effort to equalize opportunities among all individuals who wish to become health professionals.

In order to deal with the problem of specialty maldistribution and increase the number of doctors who deliver primary care, the bill authorizes the continuation of the existing program of financial support to health professions schools through capitation grants. However, a significant new condition is attached to the receipt of these grants. It would require medical schools to provide annually, an increasing percentage of residency positions for individuals in primary care specialties (i.e., pediatrics, internal medicine and family medicine).

The bill authorizes funding for numerous special projects relating to the education and training of physicians and allied health personnel. Special grants are authorized for programs in family medicine and the general practice of dentistry. In addition, grants for programs for the training of physician extenders and expanded function dental auxiliaries were authorized. Such programs are designed to enhance the overall capacity of physicians and dentists to deliver health care.

Finally, the bill revises and extends the existing National Health Service Corps Program--a program which has made significant strides in alleviating the problem of inaccessibility to health care services in medically underserved areas. This program currently has more than 600 professionals working in shortage areas. It is estimated that by next year, this number will grow to almost 700. And, with the authorizing legislation before me now, we expect the capabilities of this program to increase dramatically during the following three years.

As I noted, however, the bill is not without some faults. Because I am particularly concerned about the potential impact of some of these troublesome provisions, I intend to submit legislative recommendations to remedy these problems as soon as the Congress returns.

Primarily, these concerns relate to the levels of spending authorized by the legislation, provisions which deal with medical school admission requirements for Americans returning from foreign medical schools, and payback conditions for students who do not fulfill their obligations under the National Health Service Corps scholarship program. I am convinced that the authorization levels attached to this program are excessive. I believe that the desired results can be attained at a much lower cost. I particularly object to the provision which creates an automatic funding "trigger" for the scholarship program and which penalizes other programs authorized in the bill if certain scholarship funding levels are not met. Not only does this provision impose unwarranted sanctions, but it distorts the entire Congressional appropriations process.

Furthermore, I have reservations about the capitation condition which requires medical schools to accept a certain number of American citizens who have been students in foreign medical schools and who meet certain criteria. Not only does this requirement potentially create administrative problems, but, equally as important, it undermines our medical schools' admission policies by imposing Federal law to override an individual school's admission criteria.

Finally, I object to the unduly harsh penalties assigned to those scholarship recipients who fail to fulfill their service obligation in the National Health Service Corps. With respect to these people, the bill requires them to pay back three times the amount of the scholarship, plus interest (with adjustment for any portion of a service obligation performed), within one year of the breach of this obligation. In my view, a penalty of twice the amount provided, plus interest, would be more than sufficient.

As I indicated earlier, I plan to recommend action to remedy these problems as soon as Congress reconvenes. Despite the drawbacks of the bill, however, I believe this legislation is necessary. Many of the programs which are contained in this bill have been without authorizing legislation since June 1974. Furthermore, the bill addresses the important problems which we identified last year. In weighing all of these factors, I believe that it is in the best interest of the American people to sign this measure into law.



DEPARTMENT OF STATE

Washington, D.C. 20520

OCT 6 1976

Dear Mr. Lynn:

I refer to the request in the communication of October 4, 1976 from Mr. Frey of your Office for the Department's views and recommendations on enrolled bill H.R. 5546, "An Act To amend the Public Health Service Act to revise and extend the programs of assistance under title VII for training in the health and allied health professions, to revise the National Health Service Corps program and the National Health Service Corps scholarship training program, and for other purposes."

Subparagraph (C) of the new subsection (j)(1), added as an amendment to section 212(e) of the Immigration and Nationality Act by section 601(d) of this bill, requires an alien who is a graduate of a medical school and coming to the United States to participate in an exchange program pursuant to section 101(a)(15)(J) of the Act to provide to the Secretary of Health, Education and Welfare a satisfactory written assurance from the country of his nationality or last residence that upon completion of the education or training for which he is coming to the United States he will, upon return to such country, be appointed to a position in which he will fully utilize the skills acquired while in graduate training in the United States. If the alien does not provide this satisfactory written assurance to the Secretary of Health, Education and Welfare, he will be ineligible to obtain a visa or to enter the United States to participate in the exchange program. The Department believes that this requirement will have the effect of eliminating unfairly aliens in certain foreign states from participation in exchange programs through which they could receive advanced medical training or education in the United States. The governments of many countries will simply be unable to give such an assurance in any case since they do not have the kind of control over the health care system which would make such assurance possible.

The Honorable

James T. Lynn,
Director,

Office of Management
and Budget.

The Department does not believe that its objection to one provision of the bill warrants objection to the bill as a whole and accordingly looks with favor upon enactment of the bill.

Sincerely yours,

A handwritten signature in cursive script, reading "Kempton B. Jenkins".

Kempton B. Jenkins
Acting Assistant Secretary
for Congressional Relations

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

OCT 7 1976

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Lynn:

This is in response to your request for our views on H.R. 5546, an enrolled enactment entitled the "Health Professions Educational Assistance Act of 1976."

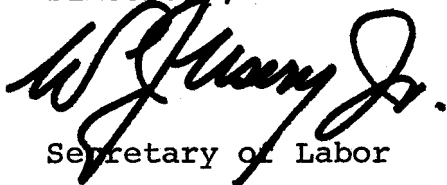
This bill generally amends the Public Health Service Act to revise and extend the programs of assistance for training in the health and allied health professions and for other purposes. Of interest to the Department of Labor are the provisions of the bill amending the Immigration and Nationality Act. They would impose various restrictions on physicians desiring to enter the U.S. as immigrants or as exchange visitors. The Secretary of Labor would continue to be required to provide labor certifications (pursuant to section 212(a)(14) of the Act) for alien physicians desiring to immigrate under certain circumstances. However, the bill makes a congressional finding "that there is no longer an insufficient number of physicians and surgeons in the U.S. such that there is no further need for affording preference to alien physicians and surgeons in admissions to the U.S. under the Immigration and Nationality Act," and requires the Secretary of HEW to develop, within a year, sufficient data to enable the Secretary of Labor to make equitable determinations on foreign doctors.

It appears that this has the effect of directing the Secretary of Labor to remove physicians and surgeons from Schedule A (a list of occupations for which the Secretary of Labor has determined there are not sufficient workers who are able, willing, qualified and available for employment), established by regulations pursuant to section 212(a)(14) of the Immigration and Nationality Act. Physicians and surgeons would no longer be automatically certified by the Secretary because of national need. Decisions on the certification of physicians and surgeons would be on a case-by-case basis.

We do not favor this approach. We believe that the Secretary of Labor should retain the discretion to determine which occupations should be certified on a national or case-by-case basis. A congressional finding with respect to occupations on that schedule precludes the flexibility necessary for adapting to changing conditions in the labor force.

Although we do not believe that the Secretary of Labor's discretion should be lessened in this area, we would not interpose an objection to Presidential approval on that basis.

Sincerely,

A handwritten signature in black ink, appearing to read "W. J. Flannery Jr.", written in a cursive style.

Secretary of Labor

STATEMENT BY THE PRESIDENT

Today I am signing H.R. 5546, the "Health Professions Education Assistance Act of 1976," which will materially assist in insuring that all Americans throughout the country will have sufficient access to physicians and dentists. Last year the Administration submitted to Congress a legislative proposal based on findings which showed that while there was no longer a shortage in the total number of physicians in the United States, there were alarming signs that this country was facing two growing problems with respect to these practitioners. There are not enough doctors in rural and inner city areas, and there is a continuing decline in the number of doctors practicing primary care, i.e., the problem of specialty maldistribution.

I am pleased that the bill before me specifically addresses those issues which we identified as being of greatest concern. Although the bill contains some undesirable features, I believe that, on balance, it represents a definite step toward improving health care delivery, and, accordingly, warrants my signature.

There are several provisions of this legislation which will be instrumental in solving the problems of geographic and specialty maldistribution. The bill continues and expands a scholarship program which will provide individuals with financial assistance to attend medical school. In exchange for these scholarships, each recipient will be required to serve in a health manpower shortage area for a period of at least two years. Coupled with this scholarship program, the bill authorizes the establishment of a Federal program of insured loans -- a proposal I have supported -- to assist health professions students. This program virtually assures that no individual will be denied a medical education

for financial reasons. Also the bill establishes a program of special assistance to disadvantaged students in an effort to equalize opportunities among all individuals who wish to become health professionals.

In order to deal with the problem of specialty maldistribution and increase the number of doctors who deliver primary care, the bill authorizes the continuation of the existing program of financial support to health professions schools through capitation grants. However, a significant new condition is attached to the receipt of these grants. Medical schools would be required to provide annually an increasing percentage of residency positions for individuals in primary care specialties (i.e., pediatrics, internal medicine and family medicine).

The bill authorizes funding for numerous special projects relating to the education and training of physicians and allied health personnel. Special grants are authorized for programs in family medicine and the general practice of dentistry. In addition, grants for programs for the training of physician extenders and expanded function dental auxiliaries were authorized. Such programs are designed to enhance the overall capacity of physicians and dentists to deliver health care.

Finally, the bill revises and extends the existing National Health Service Corps Program -- a program which has made significant strides in alleviating the problem of inaccessibility to health care services in medically underserved areas. This program currently has more than 600 professionals working in shortage areas. It is estimated that by next year, this number will grow to almost 700. And, with the authorizing legislation before me now, we expect the capabilities of this program to increase dramatically during the following three years.

As I noted, however, the bill is not without some defects. Because I am particularly concerned about the potential impact of some of these troublesome provisions, I intend to submit legislative recommendations to remedy these problems as soon as the Congress returns.

Primarily, these concerns relate to the levels of spending authorized by the legislation, provisions which deal with medical school admission requirements for Americans returning from foreign medical schools, and payback conditions for students who do not fulfill their obligations under the National Health Service Corps scholarship program. I am convinced that the authorization levels attached to this program are excessive. I believe that the desired results can be attained at a much lower cost. I particularly object to the provision which creates an automatic funding "trigger" for the scholarship program and which penalizes other programs authorized in the bill if certain scholarship funding levels are not met. Not only does this provision impose unwarranted sanctions, but it distorts the entire Congressional appropriations process.

Furthermore, I have reservations about the capitation condition which requires medical schools to accept a certain number of American citizens who have been students in foreign medical schools and who meet certain criteria. Not only does this requirement potentially create administrative problems, but, equally as important, it undermines our medical schools' admission policies by imposing Federal law to override an individual school's admission criteria.

Finally, I object to the unduly harsh penalties assigned to those scholarship recipients who fail to fulfill their service obligation in the National Health Service Corps. With respect to these people, the bill requires them to pay back three times the amount of the scholarship, plus interest

(with adjustment for any portion of a service obligation performed), within one year of the breach of this obligation. In my view, a penalty of twice the amount provided, plus interest, would be more than sufficient.

As I indicated earlier, I plan to recommend action to remedy these problems as soon as Congress reconvenes. Despite the drawbacks of the bill, however, I believe this legislation is necessary. Many of the programs which are contained in this bill have been without authorizing legislation since June 1974. Furthermore, the bill addresses the important problems which we identified last year. In weighing all of these factors, I believe that it is in the best interest of the American people to sign this measure into law.

MEMORANDUM OF DISAPPROVAL

I have withheld my signature from H.R. 5546, the "Health Professions Educations Assistance Act of 1976."

This I have done reluctantly. I realize the need to solve the geographic and specialty maldistribution of primary care health professionals, especially that of physicians and dentists, and I proposed legislation to the Congress which would have targeted Federal funding to do so.

The Congress, however, has distorted these straightforward objectives by enacting H.R. 5546 which would add substantially to the already complex array of Federal programs and funding levels.

This is especially disappointing at a time when scarce Federal resources must be managed effectively to maximize their impact in the areas of most need. This is especially true in the health care area where costs are increasing annually at twice the rate of the rate of the Consumer Price Index.

Tough choices are essential so that the taxpayers' dollars can be allocated to those programs where the American people can expect the greatest payoff in their health resources.

H.R. 5546 would, for example, add some 20 new narrow categorical authorities to the existing maze of HEW health programs, many of which I recommended be reformed because of their conflicting aims and priorities. While I am trying to streamline government, the Congress continues to make it more complex. While I am attempting to make government serve the needs of people, the Congress insists that people and their institutions serve the whims of government.

New regulatory authority would require the Secretary of HEW to establish quotas for individual medical schools in this country, making them accept a quota of students who transfer from foreign medical schools. The bill also stipulates the

precise percentage quotas of out-of-State students that schools of veterinary medicine, optometry and podiatry must accept in order to receive Federal subsidies. This could result in requiring the residents of one State to subsidize the education of residents of other States in order to receive Federal funds. Students at these institutions would not be eligible for the new Federally insured loan program contained in H.R. 5546 unless their institutions accept conditions such as out-of-State quotas. These are but a few examples of the new Federal interference in medical school administration that H.R. 5546 would require. I believe that unwarranted Federal intrusions such as this are inappropriate.

In addition, this bill would authorize expenditures that are double those authorized in 1976, or proposed by my budget for 1977. I have consistently opposed such unwarranted expansion of the Federal Government's responsibilities, particularly in the absence of compelling evidence that non-Federal institutions cannot accomplish their stated objectives. I have already proposed responsible funding levels and an appropriate Federal role -- without excessive Federal requirements and without Federal subsidies for every health professions school -- in addressing the problems of geographic and specialty maldistribution of the most critical health professions. There are ample numbers of student applications to health professions schools. H.R. 5546 cannot be justified as being necessary to attract individuals to these schools.

H.R. 5546 goes far beyond the responsible Federal role of supporting only those initiatives that can be best accomplished by government for the public benefit. I will continue to make every effort to assist the training of necessary and appropriate

health professionals to meet the basic health needs of
all Americans, regardless of geographic location or social
status.

THE WHITE HOUSE,

①

VETO STATEMENT
MEMORANDUM OF DISAPPROVAL

I have withheld my signature from H.R. 5546, the
"Health Professions Educational Assistance Act of 1976."

This I have done reluctantly. I ^{realize} ~~support~~ ^{the}

need

~~effort~~ to solve the geographic and specialty
maldistribution of ^{health professionals, especially} primary care, physicians and
dentists, and I ^{to the Congress} proposed legislation, which
would have targeted Federal funding to do so.

The Congress, however, going its own way as
usual, has distorted these straight forward
objectives by enacting HR 5546 which would

add substantially to the already complex array of Federal
programs and funding levels.

This is especially disappointing at a time when scarce Federal resources must be managed effectively to maximize their impact in the areas of most need. This is especially true in the health care area where costs are increasing ^{annually} at twice the rate of the rate of the Consumer Price Index. ~~It is unfortunate that Federal funds for the financing of health services must compete with dollars~~

Tough choices are essential so that the taxpayers dollars can be allocated to those programs where the American people can expect the greatest payoff in their health resources.

R HR 5546

would, for example, add

some 20 new narrow categorical authorities to the existing

^{nearly 150 HEW ~~auth~~}

maze of programs, many of which I recommended be terminated ~~or~~

~~to~~ consolidated

because they were ~~low~~ ^{of their} priority, non-essential Federal ~~activities,~~ ^{often with conflicting aims and priorities.}

While I am trying to streamline government, the Congress continues to make it more complex. While

I am attempting to make government serve the needs of people the Congress makes people and their institutions serve the whims of government.

New regulatory authority would require the Secretary of HEW to establish quotas for individual medical schools in this country, making them accept a quota of students transferring from foreign medical schools. The bill also stipulates the precise percentage quotas of out-of-State students that schools of veterinary medicine, optometry and podiatry must accept in order to receive Federal subsidies. This would be a Federal law that could result in requiring the residents of one State to subsidize the education of residents of other States in order to receive Federal funds. Students at these institutions would not be eligible for the new Federally insured loan program contained in H.R. 5546 unless their institutions accept conditions such as out-of-State quotas. These are but a few examples of the new Federal interference in *medical* school administration that H.R. 5546 would require. I believe, unwarranted Federal intrusions and ~~"social engineering"~~ such as this to be inappropriate.

In addition, this bill would authorize expenditures that are double those of 1976 and my budget for 1977. I have consistently opposed such unwarranted expansion of the Federal Government's responsibilities, particularly in the absence of compelling evidence that non-Federal institutions cannot accomplish their stated objectives. I have already proposed responsible funding levels and an appropriate Federal role--without excessive Federal requirements and without Federal subsidies for every health professions school--in addressing the problems of geographic and specialty maldistribution of the most critical health professions. There are ample numbers of student applications to health professions schools. H.R. 5546 cannot be

5

justified as necessary to attract individuals to these schools.

H.R. 5546 goes far beyond ^{the} A responsible Federal role. ~~I see no way in which I can fulfill my commitment to propose a balanced budget by 1979 and to improve the management of the Federal government unless steps are undertaken now to slow the growth of unwarranted Federal programs.~~

of supporting only those ~~various~~ initiatives that can be best accomplished by government for the public benefit. I will continue to make every effort to assist in the production of necessary and appropriate health professionals to meet the basic health needs of all Americans regardless of geographic location or social status.

VETO STATEMENT

Memorandum of Disapproval

I have withheld my signature from H. R. 5546, the "Health Professions Educations Assistance Act of 1976."

This I have done reluctantly. I realize the need to solve the geographic and specialty maldistribution of primary care health professionals, especially physicians and dentists, and I proposed legislation to the Congress which would have targeted Federal funding to do so.

The Congress, however, ~~going its own way as usual~~, has distorted these straightforward objectives by enacting H. R. 5546 which would add substantially to the already complex array of Federal programs and funding levels.

This is especially disappointing at a time when scarce Federal resources must be managed effectively to maximize their impact in the areas of most need. This is especially true in the health care area where costs are increasing annually at twice the rate of the rate of the Consumer Price Index.

Tough choices are essential so that the taxpayers' dollars can be allocated to those programs where the American people can expect the greatest payoff in their health resources.

H. R. 5546 would, for example, add some 20 new narrow categorical authorities to the existing maze of ~~nearly 150~~ HEW health programs, many of which I recommended be ~~terminated or consolidated~~ *reformed* because of their conflicting aims and priorities. While I am trying to streamline government, the Congress continues to make it more complex. While I am attempting to make government serve the needs of people, the Congress makes people and their institutions serve the whims of government.

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H. R. 5546 goes far beyond the responsible Federal role of supporting only those initiatives that can be best accomplished by government for the public benefit. I will continue to make every effort to assist in the production of necessary and appropriate health professionals to meet the basic health needs of all Americans regardless of geographic location or social status.

THE WHITE HOUSE
WASHINGTON

10/12

Judy:

This is probably too late to do any good, but here is the researched copy of the HEW Signing Statement on the Health Professions Education Assistance Act.

Neta

THE WHITE HOUSE
WASHINGTON

Oct. 11

Gwen:

Sorry, but here is another
part of Health Professions
assistance
Education Act that needs to
be researched.

Thanks!

Neta

to ~~edit~~ DJS
10/12 10:75
GAM

340
to Res
10/11 6:54
GAM

*HEW
Back up*

Today I am signing legislation which will materially assist in insuring that all Americans throughout the country will have sufficient access to physicians and dentists. Last year the Administration submitted to Congress a legislative proposal based on findings which showed that while there was no longer a shortage in the total number of physicians in the United States, there were alarming signs that this country was facing two growing problems with respect to these practitioners. These were not enough doctors in rural and inner city areas and a continuing decline in the number of doctors practicing primary care, i.e., the problem of specialty maldistribution.

I am pleased that the bill before me specifically addresses those issues which we identified as being of greatest concern. Although the bill contains some undesirable features, I believe that, on balance, it represents a definite step toward improving health care delivery, and, accordingly, warrants my signature.

*HEW
Back up*

There are several provisions of this legislation which will be instrumental in solving the problems of geographic and specialty maldistribution. The bill continues and expands a scholarship program which will provide individuals with financial assistance to attend medical school. In exchange for these scholarships, each recipient will be required to serve in a health manpower shortage area for a period of at least two years. Coupled with this scholarship program, the bill authorizes the establishment of a Federal program of insured loans--a proposal I have supported--to assist health professions students. This program virtually assures that no individual will be denied a medical education for financial reasons. Also the bill establishes a program of special assistance to disadvantaged students in an effort to equalize opportunities among all individuals who wish to become health professionals.

In order to deal with the problem of specialty maldistribution and increase the number of doctors who deliver primary care, the bill authorizes the continuation of the existing program of financial support to health professions schools through capitation grants. However, a significant new condition is attached to the receipt of these grants. It would require medical schools to provide annually, an increasing percentage of residency positions for individuals in primary care specialties (i.e., pediatrics, internal medicine and family medicine).

The bill authorizes funding for numerous special projects relating to the education and training of physicians and allied health personnel. Special grants are authorized for programs in family medicine and the general practice of dentistry. In addition, grants for programs for the training of physician extenders and expanded function dental auxiliaries were authorized. Such programs are designed to enhance the overall capacity of physicians and dentists to deliver health care.

Finally, the bill revises and extends the existing National Health Service Corps Program--a program which has made significant strides in alleviating the problem of inaccessibility to health care services in medically underserved areas. This program currently has more than 600 professionals working in shortage areas. It is estimated that by next year, this number will grow to almost 700. And, with the authorizing legislation before me now, we expect the capabilities of this program to increase dramatically during the following three years.

As I noted, however, the bill is not without some faults. Because I am particularly concerned about the potential impact of some of these troublesome provisions, I intend to submit legislative recommendations to remedy these problems as soon as the Congress returns.

health professionals.

Primarily, these concerns relate to the levels of spending authorized by the legislation, provisions which deal with medical school admission requirements for Americans returning from foreign medical schools, and payback conditions for students who do not fulfill their obligations under the National Health Service Corps scholarship program. I am convinced that the authorization levels attached to this program are excessive. I believe that the desired results can be attained at a much lower cost. I particularly object to the provision which creates an automatic funding "trigger" for the scholarship program and which penalizes other programs authorized in the bill if certain scholarship funding levels are not met. Not only does this provision impose unwarranted sanctions, but it distorts the entire Congressional appropriations process.



Furthermore, I have reservations about the capitation condition which requires medical schools to accept a certain number of American citizens who have been students in foreign medical schools and who meet certain criteria. Not only does this requirement potentially create administrative problems, but, equally as important, it undermines our medical schools' admission policies by imposing Federal law to override an individual school's admission criteria.

Finally, I object to the unduly harsh penalties assigned to those scholarship recipients who fail to fulfill their service obligation in the National Health Service Corps. With respect to these people, the bill requires them to pay back three times the amount of the scholarship, plus interest (with adjustment for any portion of a service obligation performed), within one year of the breach of this obligation.

In my view, a penalty of twice the amount provided, plus interest, would be more than sufficient.

submit legislative rec
as soon as the Congress

As I indicated earlier, I plan to recommend action to remedy these problems as soon as Congress reconvenes. Despite the drawbacks of the bill, however, I believe this legislation is necessary. Many of the programs which are contained in this bill have been without authorizing legislation since June 1974. Furthermore, the bill addresses the important problems which we identified last year. In weighing all of these factors, I believe that it is in the best interest of the American people to sign this measure into law.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 11

Time: 1000am

FOR ACTION: Spencer Johnson cc (for information): Jack Marsh
 Max Friedersdorf *sign* Ed Schmults
 Bobbie Kilberg *def* Bill Seidman
 David Lissy *def* Alan Greenspan *veto*
 Robert Hartmann (memorandum of disapproval and
 Steve McConeahey signing statement attached)
 FROM THE STAFF SECRETARY

DUE: Date: October 11

Time: 200pm

SUBJECT:

H.R.5546-Health Professions Educational Assistance
Act of 1976

ACTION REQUESTED:

- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

please return to judy johnston, ground floor west wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

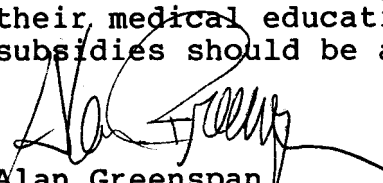
THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

October 11, 1976

MEMORANDUM FOR JAMES M. CANNON

Subject: H.R.5546 - Health Professions Educational Assistance
Act of 1976

We believe that the President should disapprove of H.R.5546. It is inconsistent with the general Administration philosophy that while the Federal government should help students finance their medical education, an increase in general taxpayer subsidies should be avoided.



Alan Greenspan



THE WHITE HOUSE

12

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 11

Time: 1000am

FOR ACTION: Spencer Johnson cc (for information): Jack Marsh
 Max Friedersdorf Ed Schmults
 Bobbie Kilberg Bill Seidman
 David Lissy Alan Greenspan
 Robert Hartmann (memorandum of disapproval and
 Steve McConahey signing statement attached)
 FROM THE STAFF SECRETARY

DUE: Date: October 11

Time: 200pm

SUBJECT:

H.R.5546-Health Professions Educational Assistance
Act of 1976

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*Defec to
Spencer Johnson
Wwj*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon
For the President

THE WHITE HOUSE

WASHINGTON

October 11, 1976

MEMORANDUM FOR:

JIM CANNON

FROM:

MAX L. FRIEDERSDORF *M.L.*

SUBJECT:

HR 5546 - Health Professions Educational
Assistance Act of 1976

The Office of Legislative Affairs concurs with the agencies
that the subject bill be signed.

Attachments

THE WHITE HOUSE

12

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 11

Time: 1000am

FOR ACTION: Spencer Johnson
 Max Friedersdorf
 Bobbie Kilberg ✓
 David Lissy
 Robert Hartmann (memorandum of disapproval and
 Steve McConahey signing statement attached)

cc (for information): Jack Marsh
 Ed Schmults
 Bill Seidman
 Alan Greenspan

FROM THE STAFF SECRETARY

DUE: Date: October 11

Time: 200pm

SUBJECT:

H.R.5546-Health Professions Educational Assistance
Act of 1976

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

Counsel's Office defers to OMB. However, if the President decides to sign this bill for other reasons, we strongly recommend that the signing statement include his serious concern about (1) the bill's requirement that medical schools accept a certain quota of U.S. students who have completed two years of study at a foreign medical school; and (2) that schools of veterinary, optometry and podiatry medicine must accept a precise percentage quota of out-of-state students in order to receive Federal subsidies. We would further recommend that the President state that he will send amending legislation to the next Congress to remove these two requirements.

Bobbie Kilberg 10/11/76

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. ...
 For the President

MEMORANDUM OF DISAPPROVAL

I have withheld my signature from H.R. 5546, the "Health Professions Educational Assistance Act of 1976."

I have done so reluctantly. Legislation I proposed would have targeted Federal funding and efforts on solving geographic and specialty maldistribution of our critical health professions--physicians and dentists.

In attempting to do this, however, H.R. 5546 would add substantially to the already complex array of Federal programs and funding levels. It would, for example, add some 20 new narrow categorical authorities to the existing maze of programs, many of which I recommended be terminated because they were low-priority, non-essential Federal activities. While I am trying to streamline government, the Congress continues to make it more complex.

Examples of programs that I proposed for phase-out or termination but which H.R. 5546 would continue or expand are:

- construction grants for teaching facilities,
- capitation grants for schools of veterinary medicine, optometry, podiatry and pharmacy,
- scholarships that do not require service in return for Federal support, and
- subsidies to allied and public health training institutions.

Moreover, H.R. 5546 would add programs of subsidies for internal medicine and pediatric residencies, family medicine departments, occupational health training and education centers.

New regulatory authority would require the Secretary of HEW to establish quotas for individual medical schools in this country, making them accept a quota of students transferring from foreign medical schools. The bill also stipulates the precise percentage quotas of out-of-State students that schools of veterinary medicine, optometry and podiatry must accept in order to receive Federal subsidies. This would be a Federal law that could result in requiring the residents of one State to subsidize the education of residents of other States in order to receive Federal funds. Students at these institutions would not be eligible for the new Federally insured loan program contained in H.R. 5546 unless their institutions accept conditions such as out-of-State quotas. These are but a few examples of the new Federal interference in school administration that H.R. 5546 would require. I believe unwarranted Federal intrusions and "social engineering" such as this to be inappropriate.

In addition, this bill would authorize expenditures that are double those of 1976 and my budget for 1977. I have consistently opposed such unwarranted expansion of the Federal Government's responsibilities, particularly in the absence of compelling evidence that non-Federal institutions cannot accomplish their stated objectives. I have already proposed responsible funding levels and an appropriate Federal role--without excessive Federal requirements and without Federal subsidies for every health professions school--in addressing the problems of geographic and specialty maldistribution of the most critical health professions. There are ample numbers of student applications to health professions schools. H.R. 5546 cannot be

justified as necessary to attract individuals to these schools.

H.R. 5546 goes far beyond a responsible Federal role. I see no way in which I can fulfill my commitment to propose a balanced budget by 1979 and to improve the management of the Federal government unless steps are undertaken now to slow the growth of unwarranted Federal programs.

VETO STATEMENT

Memorandum of Disapproval

I have withheld my signature from H. R. 5546, the "Health Professions Educations Assistance Act of 1976."

This I have done reluctantly. I realize the need to solve the geographic and specialty maldistribution of primary care health professionals, especially ^{that of} physicians and dentists, and I proposed legislation to the Congress which would have targeted Federal funding to do so.

The Congress, however, ~~going its own way as usual~~, has distorted these straightforward objectives by enacting H. R. 5546 which would add substantially to the already complex array of Federal programs and funding levels.

This is especially disappointing at a time when scarce Federal resources must be managed effectively to maximize their impact in the areas of most need. This is especially true in the health care area where costs are increasing annually at twice the rate of the rate of the Consumer Price Index.

Tough choices are essential so that the taxpayers' dollars can be allocated to those programs where the American people can expect the greatest payoff in their health resources.

H. R. 5546 would, for example, add some 20 new narrow categorical authorities to the existing maze of nearly 150 HEW health programs, many of which I recommended be ~~terminated or consolidated~~ ^{reformed} because of their conflicting aims and priorities. While I am trying to streamline government, the Congress continues to make it more complex. While I am attempting to make government serve the needs of people, the Congress ^{insists that} ~~makes~~ people and their institutions serve the whims of government.

New regulatory authority would require the Secretary of HEW to establish quotas for individual medical schools in this country, making them accept a quota of students ^{who} transferred ~~to~~ from foreign medical schools. The bill also stipulates the precise percentage quotas of out-of-State students that schools of veterinary medicine, optometry and podiatry must accept in order to receive Federal subsidies. This ~~would be a Federal law that~~ could result in requiring the residents of one State to subsidize the education of residents of other States in order to receive Federal funds. Students at these institutions would not be eligible for the new Federally insured loan program contained in H. R. 5546 unless their institutions accept conditions such as out-of-State quotas. These are but a few examples of the new Federal interference in medical school administration that H. R. 5546 would require. I believe ^{that} unwarranted Federal intrusions such as this ^{are} ~~to be~~ inappropriate.

In addition, this bill would authorize expenditures that are double ^{authorized in or proposed by} those of 1976 ~~and~~ my budget for 1977. I have consistently opposed such unwarranted expansion of the Federal Government's responsibilities, particularly in the absence of compelling evidence that non-Federal institutions cannot accomplish their stated objectives. I have already proposed responsible funding levels and an appropriate Federal role -- without excessive Federal requirements and without Federal subsidies for every health professions school -- in addressing the problems of geographic and specialty maldistribution of the most critical health professions. There are ample numbers of student applications to health professions schools. H. R. 5546 cannot be justified ^{being} as necessary to attract individuals to these schools.

H. R. 5546 goes far beyond the responsible Federal role of supporting only those initiatives that can be best accomplished by government for the public benefit. I will continue to make every effort to assist ~~in~~ the ^{training} ~~production~~ of necessary and appropriate health professionals to meet the basic health needs of all Americans, regardless of geographic location or social status.

ACTION MEMOPANDUM

WASHINGTON

LOG NO.:

Date: Octo' 11

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FOR ACTION: Spencer Johnson cc (for information): Jack Marsh
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 Steve McConahey signing statement attached)
 FROM THE STAFF SECRETARY

DUE: Date: October 11

Time: 200pm

SUBJECT:

H.R.5546-Health Professions Educational Assistance Act of 1976

*Wed. last day for action
+ President will be away.*

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*10/11/76 - copy sent for researching. mm
10/11/76 - Researched copy returned. mm*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. ...
For the President

New Signing Statement

DRAFT PRESIDENTIAL SIGNING STATEMENT

H.R. 5546, the "Health Professions Education Assistance Act of 1976",

Today I am signing ~~legislation~~ legislation which will materially assist in insuring that all Americans throughout the country will have sufficient access to physicians and dentists. Last year the Administration submitted to Congress a legislative proposal based on findings which showed that while there was no longer a shortage in the total number of physicians in the United States, there were alarming signs that this country was facing two growing problems with respect to these practitioners. ^{There are} ~~There were~~ not enough doctors in rural and inner city areas, ^{there is} ~~and~~ a continuing decline in the number of doctors practicing primary care, i.e., the problem of specialty maldistribution.

I am pleased that the bill before me specifically addresses those issues which we identified as being of greatest concern. Although the bill contains some undesirable features, I believe that, on balance, it represents a definite step toward improving health care delivery, and, accordingly, warrants my signature.

There are several provisions of this legislation which will be instrumental in solving the problems of geographic and specialty maldistribution. The bill continues and expands a scholarship program which will provide individuals with financial assistance to attend medical school. In exchange for these scholarships, each recipient will be required to serve in a health manpower shortage area for a period of at least two years. Coupled with this scholarship program, the bill authorizes the establishment of a Federal program of insured loans--a proposal I have supported--to assist health professions students. This program virtually assures that no individual will be denied a medical education for financial reasons. Also the bill establishes a program of special assistance to disadvantaged students in an effort to equalize opportunities among all individuals who wish to become health professionals.

In order to deal with the problem of specialty maldistribution and increase the number of doctors who deliver primary care, the bill authorizes the continuation of the existing program of financial support to health professions schools through capitation grants. However, a significant new condition is attached to the receipt of these grants. ~~It~~ ~~would require~~ ^{would be required} medical schools to provide annually an increasing percentage of residency positions for individuals in primary care specialties (i.e., pediatrics, internal medicine and family medicine).

The bill authorizes funding for numerous special projects relating to the education and training of physicians and allied health personnel. Special grants are authorized for programs in family medicine and the general practice of dentistry. In addition, grants for programs for the training of physician extenders and expanded function dental auxiliaries were authorized. Such programs are designed to enhance the overall capacity of physicians and dentists to deliver health care.

Finally, the bill revises and extends the existing National Health Service Corps Program--a program which has made significant strides in alleviating the problem of inaccessibility to health care services in medically underserved areas. This program currently has more than 600 professionals working in shortage areas. It is estimated that by next year, this number will grow to almost 700. And, with the authorizing legislation before me now, we expect the capabilities of this program to increase dramatically during the following three years.

As I noted, however, the bill is not without some ^{defects} ~~faults~~. Because I am particularly concerned about the potential impact of some of these troublesome provisions, I intend to submit legislative recommendations to remedy these problems as soon as the Congress returns.

Primarily, these concerns relate to the levels of spending authorized by the legislation, provisions which deal with medical school admission requirements for Americans returning from foreign medical schools, and payback conditions for students who do not fulfill their obligations under the National Health Service Corps scholarship program. I am convinced that the authorization levels attached to this program are excessive. I believe that the desired results can be attained at a much lower cost. I particularly object to the provision which creates an automatic funding "trigger" for the scholarship program and which penalizes other programs authorized in the bill if certain scholarship funding levels are not met. Not only does this provision impose unwarranted sanctions, but it distorts the entire Congressional appropriations process.

Furthermore, I have reservations about the capitation condition which requires medical schools to accept a certain number of American citizens who have been students in foreign medical schools and who meet certain criteria. Not only does this requirement potentially create administrative problems, but, equally as important, it undermines our medical schools' admission policies by imposing Federal law to override an individual school's admission criteria.

Finally, I object to the unduly harsh penalties assigned to those scholarship recipients who fail to fulfill their service obligation in the National Health Service Corps. With respect to these people, the bill requires them to pay back three times the amount of the scholarship, plus interest (with adjustment for any portion of a service obligation performed), within one year of the breach of this obligation. In my view, a penalty of twice the amount provided, plus interest, would be more than sufficient.

As I indicated earlier, I plan to recommend action to remedy these problems as soon as Congress reconvenes. Despite the drawbacks of the bill, however, I believe this legislation is necessary. Many of the programs which are contained in this bill have been without authorizing legislation since June 1974. Furthermore, the bill addresses the important problems which we identified last year. In weighing all of these factors, I believe that it is in the best interest of the American people to sign this measure into law.