



Indian Health Service Loan Repayment Program  
**Policy and Procedure Clarifications**

Effective as of March 2011



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The Indian Health Service (IHS) Loan Repayment Program (LRP) periodically issues program policy and procedure clarifications in response to questions received from LRP recipients. The following clarifications of existing policies and procedures are in effect as of the date of this document (March 2011).

### **SERVICE OBLIGATION**

LRP recipients must complete their full contractual service obligation once they have received their initial payment or they will be in breach of contract.

#### **Example A:**

A physician working at a Tribal site receives an LRP award. The US Department of Health and Human Services' Secretary's delegate signs his contract on August 1. However, the physician decides he wants to have his contract cancelled and be granted permission to leave the site on August 31. He contacts the LRP office in writing to request a contract cancellation. Since the initial LRP payment has not been deposited into his bank account, the LRP can cancel the contract and award funding to another applicant without a penalty being assessed to the physician. The physician will need to address any issues regarding a separate contract and other pay or bonuses directly with that site.

#### **Example B:**

A physician working at a Tribal site receives an LRP award. The Secretary's delegate signs the contract on August 1. However, the physician decides he wants to have his contract cancelled and be granted permission to leave the site on January 1. He contacts the LRP office in writing to request a contract cancellation. The physician receives his initial payment via direct deposit on December 1. Since the initial payment was deposited into the physician's bank account, he must honor his full contractual service obligation. If the physician fails to complete his service obligation, he will be in breach of his contract and placed in default.

#### **Example C:**

A physician working at a Tribal site receives an LRP award. The Secretary's delegate signs the contract on August 1. However, the physician decides he wants to have his contract cancelled after fulfilling the first year of his two-year contractual service obligation. He contacts the LRP office in writing to request to leave the site without receiving his second LRP payment. Since the initial payment was deposited into the physician's bank account in August of his first contract year, he must complete his full contractual service obligation. If the physician fails to complete his service obligation, he will be in breach of his contract and placed in default.

### **FULL-TIME CLINICAL PRACTICE**

LRP recipients are required to engage in full-time clinical practice in the health profession discipline for which they were awarded an LRP contract. The IHS defines full-time practice as working a minimum of 80 hours every two-week period for an average of at least 40 hours per week. The 80 hours cannot be worked in less than seven days and no more than 12 hours of work can be performed in any 24-hour period. Time spent in on-call status will not count toward the 80 hours. Any hours worked over the required 80 hours per two-week period cannot be applied to any other workweek.

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The IHS defines a full-time clinical practice for all health professionals as follows:

At least 64 hours of the minimum 80 hours per two-week period must be spent providing direct inpatient or outpatient care. These services must be conducted during normally scheduled hospital or clinic hours. The remaining 16 hours per two-week period can be spent providing additional patient care and/or performing practice-related administrative activities, with administrative activities not to exceed 16 hours per each two-week period.

Teaching, attending staff meetings, supervising other health care professionals, making court appearances and other non-treatment related activities pertaining to the health professional's approved position are considered practice-related administrative activities. Supervision of other health professionals is defined as an administrative activity if the health professional being supervised is treating or providing health care services to a patient and billing or documenting such treatment in his name. If the supervising health professional is treating the patient and billing or documenting such treatment under his name, this activity should be counted as direct clinical services for the supervising health professional.

No more than seven weeks, or 35 workdays, per contract year can be spent away from the practice for vacation, holidays, continuing professional education, illness or any other reason. Absences greater than seven weeks in a contract year or any absent without leave period will not count toward the recipient's service obligation. LRP recipients are required to notify the LRP office immediately in writing if they anticipate absences greater than seven weeks or 35 workdays.

All recipients must abide by LRP rules, regulations and licensing expectations, even when working at Tribal or Urban Indian programs with less-stringent requirements regarding full-time employment.

## **PAYMENTS**

All LRP recipients are eligible for awards up to \$20,000 per year. The Payment Information section of the Recipient Handbook includes several examples demonstrating how IHS distributes the annual award. The table headings list the amount the recipient receives, the amount withheld by IHS for the recipient's portion of Social Security payroll taxes (under the authority of the Federal Insurance Contributions Act [FICA]) and additional payments IHS makes for federal income tax liability.

A 20 percent federal income tax liability and the employee/recipient's portion of the related FICA taxes are included in the award, with payment made by IHS directly to the Internal Revenue Service (IRS). The recipient must use the full award amount, including the FICA contributions withheld, to pay the loan debt.

Continued eligibility to receive LRP funds is contingent upon annual documented proof by the recipient's lender that the LRP funds deposited in the recipient's account were paid toward his eligible loans. Failure to provide this information is a breach of contract and can result in dismissal from the program and possibly being placed in default.

## **THE IHS LOAN REPAYMENT PROGRAM IS NOT TAX EXEMPT**

The IHS Loan Repayment Program is not tax exempt and recipients are required to pay federal and any applicable state and local taxes on their awards. Some state and federal loan repayment programs are tax exempt, such as the National Health Service Corps (NHSC) loan repayment program.

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The NHSC loan repayment program has been granted an exception to the general rule through the American Jobs Creation Act of 2004, Public Law (P.L.) 108-357 and Section 320 which amended the IRS code (IRC). This provision is found in the IRC at 26 USC 108(f)(4).

The Affordable Care Act expands this tax exclusion to include any state loan repayment or loan forgiveness programs intended to increase the availability of health care services in underserved areas or health professional shortage areas.

Unfortunately, there are no provisions in the Affordable Care Act that support tax exclusion for IHS LRP recipients.

### **DEFERMENT**

The LRP service obligation can be deferred for medical reasons or dental residencies only (see Dentists Applying for Dental Residencies below). If an LRP recipient anticipates being away from work for more than seven weeks or 35 workdays total per contract year due to health issues, he must request in writing that his service obligation be deferred for the period of time related to the medical event. Requests are considered on a case-by-case basis and the recipient must provide appropriate documentation from a medical provider recommending the time away from work. The LRP deferment process only covers leave from a recipient's LRP service obligation. Recipients are also required to seek approval of their leave from their specific work site.

#### **Example:**

An LRP recipient goes on 30-days medical leave with written recommendation from a physician and approval from his work site. The recipient has already used 10 days of annual leave in January. The recipient must notify the LRP office of his request for deferment of his service obligation prior to the start of his medical leave since the anticipated time for total leave during his contract year will exceed seven weeks or 35 workdays. The LRP office will review the total leave taken and adjust the recipient's contract end date based on the additional leave that exceeds LRP policy.

### **DENTISTS APPLYING FOR DENTAL RESIDENCIES**

The IHS Division of Oral Health (DOH) allows deferment of the LRP service obligation for select dentists to enter and complete dental residencies. This deferment is considered on a case-by-case basis. Dentists currently fulfilling their initial two-year LRP contract are not eligible. Additional requirements include:

1. The residency training must be in a needed dental specialty or subspecialty, as determined by the Director, DOH.
  2. Dentists in intramural and extramural residencies must sign a long-term training contract.
  3. The remaining service obligation on a recipient's LRP extension contract must be 90 days or less at the start of the residency.
  4. The deferment period needed must be stated in the deferment request and cannot exceed four years.
  5. Upon completion of the residency, the recipient's service obligation must be completed before another service obligation can be served.
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All full-time, post-graduate training requests must be submitted to the LRP office for review and determination at least 30 days prior to the start of the dental residency. Recipients approved for deferment must resubmit their request for continued deferment annually until their training is complete. Requests for part-time residency programs will not be approved. Contract extensions will not be approved during any residency or other advanced clinical training. No period of internship, residency or other advanced clinical training will count toward satisfying any period of the recipient's LRP service obligation. Individuals entering a residency or extended training program without LRP approval will be in breach of their contract and placed in default.

Deferring the LRP service obligation can impact eligibility for some special pays when the dentist returns to full-time clinical practice. Recipients should check with their personnel offices before starting long-term training to determine the period of obligated service for the long-term training contract and the potential financial impact upon returning to clinical practice.

Dentists with an LRP service obligation who are considering applying to a dental residency program should consult both the DOH (Dr. Timothy Lozon — phone: (301) 443-0029, email: timothy.lozon@ihs.gov) and the LRP (Ms. Carla Billingsley, Analyst — phone: (301) 443-2514, email: carla.billingsley@ihs.gov).

## **CONTRACT EXTENSIONS**

The federal government fiscal year begins on October 1 and ends on September 30.

One-year contract extensions requested in the same fiscal year that the previous contract expires start on the anniversary date of the original LRP contract.

### **Example:**

An LRP recipient is scheduled to complete his initial two-year service obligation on June 30 and has remaining qualified student loans to pay off. The recipient elects to request a one-year contract extension to assist with these loans, submitting a contract extension request prior to January 1 of the final year of his contract in order to receive priority consideration from the LRP office. The Secretary's delegate signs the contract extension on April 1. Since the new contract was signed prior to the end of the initial two-year contract, the recipient's new one-year service obligation will begin July 1, not April 1.

Contract extensions requested in the same fiscal year that the previous contract expires but which are unable to be funded during that fiscal year, start on the date the Secretary's delegate signs the contract in the next fiscal year.

### **Example:**

An LRP recipient is scheduled to complete his initial two-year service obligation on June 30 and has remaining qualified student loans to pay off. The recipient elects to request a one-year contract extension to assist with these loans, but misses the January 1 deadline to receive priority consideration for an extension by submitting his request on June 1. Since the LRP has exhausted its funding for the current fiscal year, the extension cannot be awarded until the new fiscal year.

After being notified by the LRP office, the recipient elects to have his extension considered for the next fiscal year. Once funds become available, the recipient is notified of his selection for a contract extension and begins his new contract on February 15, the day that the Secretary's delegate signs the contract.

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All LRP recipients who request a contract extension after their previous contract has expired must apply and compete as new applicants and commit to a new two-year service obligation in order to receive additional LRP funding.

**Example:**

An LRP recipient is scheduled to complete his initial two-year service obligation on June 30 and has remaining qualified student loans to pay off. The recipient elects to request a one-year contract extension to assist with these loans, but does not submit his request until October 10 of the next fiscal year.

Since the federal government's fiscal year runs from October 1 to September 30, the recipient has missed the period to apply for a contract extension and must apply as a new LRP applicant and commit to a new two-year service obligation in order to receive additional funding. The recipient will not receive priority consideration and his application will be considered with all other new LRP applications for that health profession discipline.

**TRANSFERRING TO A NEW POSITION OR SITE**

All LRP contracts are specific to each recipient, his work site and the full-time position approved in his initial LRP application. While all recipients have the opportunity to change their job or location within current personnel regulations, recipients must request and receive approval from the LRP office before they can transfer their contract to a new job or site. Failure to get prior approval could result in the recipient being in breach of contract and placed in default.

**Example A:**

A staff dentist at an IHS hospital is awarded a two-year LRP contract. After one year, the dentist takes a new job as an infection control officer at the same facility without prior LRP approval. Since the new position is not a clinical position in the dentist's approved health profession discipline and does not meet LRP transfer policies, the dentist will be in breach of his contract and placed in default as of the day he left the LRP-approved position.

**Example B:**

A staff dentist at an IHS hospital is awarded a two-year LRP contract. After one year, the dentist takes a new job as a dentist/clinical application coordinator without prior LRP approval. Since the new position does not meet IHS full-time clinical practice policies, the dentist will be in breach of his contract and placed in default as of the day he left the LRP-approved position.

**Example C:**

A staff dentist at an IHS hospital is awarded a two-year LRP contract. After one year, the dentist accepts a dental position at another IHS hospital without prior LRP approval. Since the dentist did not receive approval for a transfer, the contract will not transfer to the new site, resulting in the dentist being in breach of his contract and placed in default as of the day he left the approved LRP site.

**Example D:**

A staff dentist at an IHS hospital is awarded a two-year LRP contract. After one year, the dentist is interested in a dental position at another IHS hospital. Following the policies outlined in the LRP Recipient Handbook, the dentist submits a transfer request to the LRP office 30 days in advance of his move to the new position. The LRP office evaluates the request and approves the dentist's transfer, determining that the request meets all LRP policies.

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If the request had been denied, the dentist would be required to remain at the current location and complete his service obligation. If the dentist chose to continue with his transfer, he would be in breach of his contract and placed in default.

During deliberations in scenarios such as Example D, the LRP staff will determine if the recipient's IHS Category Lead supports the transfer of the LRP contract. The Category Lead assesses the benefit of the move to the recipient; the reason for requesting the move; the recipient's transfer history; the benefit of the transfer to the Indian health system; whether the receiving institution has a higher or lower LRP site score (as higher scores benefit the Indian health system); the vacancy rates at both institutions; and any other mitigating circumstances when deciding whether or not to support the request to transfer the LRP contract.

## **DEFAULT**

On occasion, LRP recipients who have been placed in default, decide to return to the Indian health system to complete the remainder of their service obligation rather than repay their LRP debt. Recipients who are placed in default and want to repay their debt through the completion of their service obligation must get prior approval from the LRP office. To be eligible, the former recipient must meet federal employability standards (even if seeking employment with a Tribe, Tribal organization or Urban Indian program), be appropriately licensed in the health profession discipline for which he originally received loan repayment and must be in a full-time clinical position in that health profession discipline in an LRP-approved IHS, Tribal or Urban Indian program.

Recipients who were placed in default during their initial two-year LRP contract must serve at a site with a site priority score equal to or higher than the site priority score of their original service site in order to have the service count toward their LRP service obligation. Recipients cannot repay their service obligation through part-time, locum tenens or contract employment.

### **Example A:**

An LRP recipient failed to determine his LRP extension contract end date correctly and leaves his IHS site one month before his contract was to end. The recipient now has another full-time job in the private sector. He contacts his former employer and requests to work weekends to fulfill his one-month LRP service obligation. Any time worked at the site under this arrangement would not count toward his LRP service obligation since the recipient must engage in full-time clinical practice in the health profession discipline for which he was awarded an LRP contract.

### **Example B:**

An LRP recipient failed to determine his LRP extension contract end date correctly and leaves his IHS site one month before his contract was to end. The recipient now has another full-time job in the private sector. He contacts his former employer and requests a one-month, full-time contract position to be able to complete the LRP service obligation. Any time worked at the site as a contractor would not count toward his LRP service obligation.

### **Example C:**

A general surgeon receives a two-year LRP contract. After one year of service, the recipient leaves the IHS facility to pursue an orthopedic surgery fellowship and is placed into default. After completion of his fellowship, the former recipient accepts a position at an IHS hospital as an orthopedic surgeon. The former recipient then requests that the new position be eligible to repay his LRP service obligation. This request would be denied since the former recipient is not serving in a full-time clinical position in the previously approved health profession discipline.

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If the former recipient had accepted a position as a general surgeon, the LRP office could potentially approve this as an LRP-approved service obligation position, if all other program requirements were met.

Please keep this document with your LRP Recipient Handbook. If you have any questions about these policy and procedure clarifications or any other issues, please contact the LRP office at (301) 443-3396.

Details of LRP policies and procedures are available in several resources. Please make use of the following:

- The LRP website ([www.loanrepayment.ihs.gov](http://www.loanrepayment.ihs.gov))
- The LRP Recipient Handbook (mailed to LRP recipients)
- The LRP email newsletter (sent to LRP recipients)
- The LRP analysts
- The Indian Health Manual, Part 5, Chapter 20  
([www.ihs.gov/PublicInfo/Publications/IHSManual/Part5/pt5chapter20/pt5chapt20.htm](http://www.ihs.gov/PublicInfo/Publications/IHSManual/Part5/pt5chapter20/pt5chapt20.htm))

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