

**Expansion of Loan Repayment Program**  
**Session Law 2023-134, Section 9B.4.(e)**



**Report to the**  
**Joint Legislative Oversight Committee on**  
**Health and Human Services**  
**and**  
**Fiscal Research Division**

**by**  
**North Carolina Department of Health and Human Services**

**March 26, 2025**

## Background

The North Carolina Loan Repayment Program (NC LRP) has played an integral role in creating and maintaining access to health care providers. In 1973, North Carolina was the first state in the nation to create a State Office of Rural Health. In 1987, the North Carolina General Assembly (NCGA) passed legislation creating and supporting the North Carolina Loan Repayment Program within the Office of Rural Health (ORH). Since that time, the NCGA has appropriated funds to the Loan Repayment Program which ORH has administered to increase access to quality health care in rural and underserved communities by recruiting and providing incentives to providers who agree to serve those communities. ORH recruitment activities include working with safety net health care sites to post employment opportunities and linking candidates to those opportunities. Based upon eligibility and funding, ORH may offer providers loan repayment or high needs service bonus through ORH or link providers to loan repayment or incentive programs in the federal or public sectors.

With the passage of Session Law 2023-134, the NCGA expanded the NC LRP by \$50,000,000 and directed the North Carolina Department of Health and Human Services (DHHS), ORH to provide two reports, the first report due on January 15, 2025 and the second due on January 15, 2026, to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the use of the funds to expand the North Carolina Loan Repayment Program.

The expansion funding was appropriated from the ARPA Temporary Savings Fund in the sum of twenty-five million dollars (\$25,000,000) in nonrecurring funds for the 2023-2024 fiscal year and in the sum of twenty-five million dollars (\$25,000,000) for the 2024-2025 fiscal year. Legislation allocated funding to the North Carolina Loan Repayment Program to be used as follows:

1. Expansion of the current NC Loan Repayment Program: \$9,000,000 of non-recurring funds for 2023-2024 fiscal year and \$9,000,000 of non-recurring funds for 2024-2025 fiscal year.
2. Primary Care Physicians Initiative: \$5,000,000 in nonrecurring funds for the 2023-2024 fiscal year and \$5,000,000 in nonrecurring funds for the 2024-2025 fiscal year. These funds shall establish, within the NC LRP, a new Primary Care Physicians Initiative within the NC LRP. The purpose of this initiative is to target the recruitment and retention of additional licensed allopathic or osteopathic primary care physicians in rural, underserved areas of the State who specialize in Family Medicine, General Internal Medicine, General Surgery (within critical access hospitals only), General Pediatrics, Obstetrics/Gynecology, or Psychiatry. For each year of the 2023-2025 fiscal biennium, at least \$2,000,000 of these allocated funds shall be used to target the recruitment and retention of at least an additional 15 licensed allopathic or osteopathic primary care physicians specializing in Family Medicine, General Pediatrics, or Psychiatry.
3. Behavioral Health Providers Initiative: \$10,000,000 in nonrecurring funds for the 2023-2024 fiscal year and \$10,000,000 in nonrecurring funds for the 2024-2025 fiscal year. These funds shall establish, within the NC LRP, a new behavioral health providers initiative targeting the recruitment and retention of additional licensed behavioral health providers in rural, medically

underserved areas of the State to provide outpatient primary care services. For the purpose of this initiative, "licensed behavioral health providers" means any of the following providers specializing in mental or behavioral health, or both:

- a. Licensed Clinical Addiction Specialists
- b. Licensed Clinical Mental Health Counselors (formerly known as Licensed Professional Counselors)
- c. Licensed Clinical Social Workers
- d. Licensed Marriage and Family Therapists
- e. Licensed Psychologists
- f. Licensed Psychological Associates

4. Nurse Initiative: \$1,000,000 in nonrecurring funds for the 2023-2024 fiscal year and \$1,000,000 in nonrecurring funds for the 2024-2025 fiscal year. These funds shall expand the NC LRP to include registered nurses and clinical nurse specialists providing outpatient primary care services in rural, medically underserved areas of the State.

Session Law 2023-134 established the following eligibility criteria for the Primary Care Physician Initiative, the Behavioral Health Provider Initiative and the Nurse Initiative:

1. For eligible providers with educational loan debt, the total amount of loan repayment incentives awarded shall not exceed the maximum amounts otherwise allowed under the current NC LRP.
2. Eligible providers without educational loan debt may not participate in any of these initiatives but may continue to apply for and participate in the current NC LRP.
3. Independent private practices located in rural, medically underserved areas of the State are deemed automatically eligible practice sites; provided, however, that such independent private practices meet all of the following criteria:
  - a. Are wholly owned and operated by physicians rather than by a hospital, health system, or other entity.
  - b. Have at least one provider enrolled in the North Carolina Medicaid program and accept patients who are Medicaid recipients.

Session Law 2023-134 authorized ORH to use up to five percent (5%) of the total amount of funds allocated by for the following purposes:

- For administrative costs related to the NC LRP, including costs related to establishing and administering the new initiatives authorized for the Primary Care Physician Initiative, the Behavioral Health Provider Initiative and the Nurse Initiative.
- To enter into a contract with the North Carolina Area Health Education Center Program (NC AHEC) for the development and implementation of a plan to (i) target, recruit, and enroll additional NC LRP participants, as authorized by subsection (a) this section, and (ii) retain these providers in rural or medically underserved areas of the State following completion of their service commitments.

Session Law 2023-134 requires ORH to collect and maintain data on the length of time each NC LRP participant remains employed within the same county as the practice site selected for his or her service commitment or in a county adjacent to the practice site selected for his or her service commitment. Some of this data is currently collected and maintained by ORH. Data collection regarding nurses and some of the mental or behavioral health professionals will require new tracking tools.

ORH welcomed the opportunity to expand the North Carolina Loan Repayment Program and began planning for implementation when Session Law 2023-134 was enacted on October 3, 2023. ORH is grateful that the Session Law authorized 5% of administrative funding to provide staffing and support to administer the program. As a new program of this magnitude requires staffing, ORH developed a plan to create five Community Development Specialist II positions and planned to fill these positions prior to launching the Expanded Loan Repayment Program. This plan was developed to ensure effective administration of the program and create a seamless process for the providers that apply and participate in the program.

The ORH Director discussed the new loan repayment funds with the Director of NC AHEC, with particular attention to the language allowing ORH to contract with NC AHEC to target, recruit, and enroll and retain additional NC LRP participants. NC AHEC was interested in collaborating with ORH but shared that they were not in a position to create and administer the program, including paying providers. These additional duties would require a substantial investment in new infrastructure NC AHEC does not presently have in place.

In the Fall of 2023, ORH began developing an implementation plan and engaged the DHHS Division of Budget and Analysis, Division of Human Resources, the Office of the Secretary, the Division of Mental Health, Developmental Disabilities, and Substance Use Services, and the Division of State Operated Facilities to gather information to guide program implementation as well as inform the internal processes of creating positions and budget the funding. During this time, ORH also met with key stakeholders including but not limited to, associations that represent the eligible provider groups, as well as the associations that represent the eligible organization groups, and key research partners such as the UNC Sheps Center to provide orientation to the new program. These partners enthusiastically support the program. To ensure success, ORH shared with partners and stakeholders the plan to wait until staff and administrative structure was in place before launching the Expanded Loan Repayment Program.

DHHS has leveraged and maximized the loan repayment funding that supports behavioral health providers (\$20 million) by developing a plan to partner with the Division of Mental Health, Developmental Disabilities and Substance Use Services. This plan ensures that these funds align with, and complement, statewide efforts to address behavioral and mental health unique to each community across the State.

Once the funding was secured, ORH initiated the process of creating five positions to administer the Expanded Loan Repayment Program. The Office of State Budget and Management approved the positions on August 6, 2024, and DHHS Human Resources posted the positions on September 5, 2024.

As of January 27, 2025, three positions have been filled and two of the positions have been reposted. ORH developed draft guidelines for the Expanded Loan Repayment Program in June 2024 and is beta testing the on-line application with developers. ORH has worked closely with the Division of Budget and Analysis to ensure the funding is budgeted correctly to meet the legislative requirements. Implementation of the new North Carolina Financial System (NCFS) also required additional attention to ensure payments could be made to providers in the current NC Loan Repayment Program as well as the expanded program. The ORH Data and Analytics Team has been working to ensure that the program is prepared to collect the data elements necessary to satisfy the legislative requirements including the new provider categories (i.e. nurses and behavioral health professionals), to evaluate program performance and guide program improvements.

To ensure successful program implementation, ORH will launch the Incentive Programs authorized in Session Law 2023-134 when staff are hired and trained, and the online application is tested to ensure that it can adequately respond to the anticipated high volume of applications. ORH plans to launch promotion of the new incentive programs in March 2025 and open the online application portal in April 2025.

Guidelines for the expanded and new ORH Placement Services Incentive Programs will be promoted a month before launch through presentations, webinars, and posted recordings at local and state levels, postings on professional association websites, communications blasts, and other outreach initiatives. ORH will utilize its established Regional Service Areas Teams to engage stakeholders at the local levels. Additionally, ORH will continue to work closely with rural and underserved communities and safety net sites to increase recruitment and retention successes. ORH will engage in a combination of virtual and in-person recruitment efforts while utilizing the use of electronic recruiting methods including 3RNET, social media, career fairs, Constant Contact announcements, and webpage updates.

The Placement Services Team will engage with recruiters, talent management, and/or HR personnel assigned in their region by communicating with them via phone, collaborating at conferences, and/or scheduling face-to-face or virtual meetings. With the State Facilities, ORH will host webinars and/or meetings. ORH hopes to increase awareness through collaboration with the following organizations to coordinate and advance information sharing by posting information on partner's websites, newsletters, and attending their statewide conferences:

- AHEC
- North Carolina Medical Society
- North Carolina Association of Family Physicians
- North Carolina Community Health Center Association
- North Carolina Academy of Physician Assistants
- North Carolina Nurses Association

- The Free and Charitable Clinic Association
- NC Association of Public Health Directors
- NC School-Based Health Center Alliance
- NC Healthcare Association
- NC Center on the Workforce for Health
- North Carolina Primary Care Conference
- North Carolina Council on Mental Health
- North Carolina Psychiatric Association Annual Meeting

ORH acknowledges and appreciates the creation, engagement and long-term support provided by the NCGA for this program. This support has strengthened access to healthcare across North Carolina. ORH is looking forward to the successful launch of the Expanded Loan Repayment Program. The North Carolina Loan Repayment Program, and other placement incentives programs, create access to essential healthcare in rural and underserved communities across the State.