STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

JOSH STEIN
GOVERNOR

DEVDUTTA SANGVAI
SECRETARY

April 8, 2026

SENT VIA ELECTRONIC MAIL

Mr. Brian Matteson, Director
Fiscal Research Division
Suite 619, Legislative Office Building
Raleigh, NC 27603-5925

Dear Director Matteson:

Session Law 2023-134, Section 9B.4.(e) requires the Department of Health and Human Services' Office of Rural Health to report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the use of funds allocated to the NC Loan Repayment Program. Pursuant to the provisions of law, the Department is pleased to submit the attached report.

Should you have any questions regarding this report, please contact Karen Wade, Director of Policy, at Karen.Wade@dhhs.nc.gov.

Sincerely,

Signed by:
Debra Farrington for Devdutta Sangvai
45507E3ADBA8489...

Devdutta Sangvai
Secretary

STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

JOSH STEIN
GOVERNOR

DEVDUTTA SANGVAI
SECRETARY

April 8, 2026

SENT VIA ELECTRONIC MAIL

The Honorable Carla Cunningham, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 402, Legislative Office Building
Raleigh, NC 27603

The Honorable Donny Lambeth, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 303, Legislative Office Building
Raleigh, NC 27603

The Honorable Larry Potts, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 307B1, Legislative Office Building
Raleigh, NC 27603

The Honorable Jim Burgin, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 620, Legislative Office Building
Raleigh, NC 27603

Dear Chairmen:

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Expansion of NC 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

N.C. Department of Health and Human Services

April 8, 2026

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 accepts patients who are Medicaid recipients.

Sesson 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 continues its long-standing mission of improving access to quality healthcare for residents in rural and underserved communities. ORH recognizes that workforce development is a critical component of achieving optimal health outcomes for all North Carolinians and ensuring sustainable care delivery. Every effort is made to align incentive investments with county-level workforce shortages, Health Professional Shortage Area (HPSA) scores, North Carolina's County Distress Rankings (Tiers), and demonstrated community need. ORH remains intentional in its approach, guided by data, collaboration, and community input. Through these initiatives, ORH continues to build the infrastructure necessary for a strong, sustainable, and connected rural health workforce.

Consistent with Session Law 2023-134, which authorized the expansion of placement and incentive programs under DHHS, in 2025, ORH successfully expanded the existing NC LRP and implemented two new statewide incentives, the Primary Care Initiative and the Nurse Incentive Initiative. ORH also partnered with DHHS' Division of Mental Health, Developmental Disabilities and Substance Use Services (DMH/DD/SUS) to implement the Behavioral Health Initiative. All three new Initiatives expand recruitment and retention efforts and strengthen the rural healthcare workforce while the expansion of the legacy NC LRP supported increased recruitment and retention of health care providers. ORH ensures that all incentives were designed to complement and address persistent provider shortages, promote equitable access to care, and build capacity in communities that continue to face barriers to attracting and retaining qualified healthcare professionals.

Expansion of Existing North Carolina Loan Repayment Program

ORH successfully expanded the existing state-supported NC LRP through the allocation of these funds with the early focus on strengthening the workforce in state-operated facilities. These additional resources allowed ORH to broaden eligibility beyond the previously supported psychiatrist category to now include all eligible provider types included in the legacy state-supported NC LRP working within the 16 state facilities.

Prior to the expansion of the program, eligibility within the ORH legacy incentive programs was limited to psychiatrists practicing in state-operated facilities. With the recent expansion, eligibility has broadened to include additional provider types: primary care physicians (MD or DO), dentists, dental hygienists, advanced practice providers including nurse practitioners, physician assistants, and certified nurse-midwives. This expansion reflects ORH's continued commitment to addressing workforce needs, enhancing access to care, and supporting providers who serve some of North Carolina's most vulnerable populations.

Additionally, licensed providers employed at an eligible site may apply for either the Loan Repayment Program or the High Needs Service Bonus within five years of their employment start date or upon completion of a prior service obligation. Both the Loan Repayment Program and the High Needs Service Bonus share identical eligibility criteria and service requirements. The distinguishing factor between the two programs is that recipients of the High Needs Service Bonus do not carry qualifying student loan debt, whereas loan repayment participants must have eligible educational loans.

This expansion has enabled the program to support providers across multiple disciplines, reflecting the intent to strengthen recruitment and retention efforts within state facilities. With this expanded funding, ORH was able to extend incentive awards to a diverse group of clinicians, including primary care physicians (MD and DO), nurse practitioners, physician assistants, and dentists.

As a result of the expansion to include providers employed at state-operated facilities, several participating providers are currently employed at Central Regional Hospital, Cherry Hospital, and Murdoch Developmental Center and have met all eligibility criteria for participation under the expanded program parameters. To date, 18 providers totaling $1,280,812 have been supported with incentive awards under this broader eligibility framework, marking a significant milestone in efforts to recruit and retain high-quality professionals across the state system.

Interest in the program continues to remain strong, particularly among providers practicing within state-operated facilities. The program team is actively coordinating with facility leadership and administrative partners statewide to identify eligible candidates, provide technical assistance, and facilitate enrollment for providers who meet statutory criteria. These ongoing efforts are intended to maximize utilization of expansion funding, ensure compliance with

legislative requirements, and further strengthen access to care in underserved and high-need communities across North Carolina.

Through the expanded authority to support providers in state-operated facilities, a total of 18 providers have been supported through incentive awards totaling $1,280,812, reflecting the successful implementation of the broadened eligibility framework and marking an important step in advancing statewide workforce recruitment and retention efforts.

Among these participants, ten providers received loan repayment incentives (totaling $575,812) and eight providers were awarded the High-Need Service Bonus, a component totaling $705,000. This bonus is specifically designated for providers who meet program eligibility requirements but do not carry qualifying educational loan debt, ensuring that highly skilled clinicians without student loan obligations remain eligible for participation.

These awards represent a deliberate and strategic investment in sustaining the healthcare workforce, reinforcing the state's commitment to retaining experienced clinicians who are delivering critical services in high-priority and underserved practice settings. These funds complement the traditional loan repayment awards and enhance the program's flexibility in supporting a broader segment of the healthcare workforce. This expansion has strengthened the program's capacity to reach providers serving in critical public sector settings while advancing the Legislature's intent to address workforce shortages in high-need areas.

North Carolina Primary Care Physicians Initiative (NC PCPI): Launch and Early Implementation

The NC PCPI offers qualifying physicians repayment for student (educational) loans in exchange for providing comprehensive primary care services in independent private practices in Tier 1 and Tier 2 of North Carolina's County Distress Rankings (Tiers). These tier classifications are directly aligned with the authorizing legislation, which establishes independent private practices located in Tier 1 and Tier 2 counties as eligible practice sites. To qualify, such independent private practices must meet all statutory criteria, including being wholly owned and operated by physicians, rather than by a hospital, health system, or other entity; having at least one provider enrolled in the North Carolina Medicaid program and accepting patients who are Medicaid beneficiaries. The NC PCPI offers up to $100,000 (non-taxable) towards outstanding qualifying educational loans in exchange for an up to four-year service commitment for physicians.

The NC PCPI program was formally launched in late April 2025. In advance of the launch, extensive planning and coordinated outreach activities were undertaken to ensure broad awareness and stakeholder engagement. These efforts included a series of informational webinars, targeted social media communications, and multiple briefings with key internal and external partners.

The Office engaged proactively with statewide professional associations, including the North Carolina Medical Society and the North Carolina Academy of Family Physicians, as well as

other community and healthcare partners, to promote understanding of the initiative and support effective dissemination across provider networks. Throughout this pre-launch period, team members were actively involved in relationship-building and community outreach efforts designed to support successful implementation.

Additionally, ORH engaged stakeholders and developed NC PCPI guidelines that include eligibility criteria, service site requirements, application procedures, and reporting obligations, ensuring alignment state compliance standards. This collaborative, multi-channel engagement strategy has continued following the program's launch, with staff maintaining active communication and outreach to partners and stakeholders to strengthen participation, address emerging needs, and support the ongoing success of the initiative.

While early enrollment was slower than anticipated, ORH is proactively engaging in outreach and communication to ensure that eligible providers are aware of the new incentive opportunity. The primary barrier to rapid enrollment has been a general lack of awareness among eligible providers and administrative delays during the initial contract phase. To address this, ORH refined its communication process, ensuring that applicants receive timely updates and clarity about their eligibility and application status.

ORH anticipates supporting over 100 physicians with the NC PCPI. The NC PCPI has generated strong interest statewide, with a total of 128 applicant inquiries to date. Currently, 19 contracts have been fully executed, representing a total program investment of $1,707,592. Of these awarded contracts, three providers are practicing in Tier 1 counties, and 16 providers are distributed across Tier 2 counties. In terms of specialty distribution, nine participants practice family medicine, eight practice pediatrics, and two practice internal medicine. This geographic and specialty diversity reflects the program's continued focus on strengthening access to primary care services in rural and underserved communities.

In addition, five contracts (up to $281,938 in loan repayment) are presently in the final stages of development and are anticipated to be awarded soon. The program team remains actively engaged in targeted outreach and recruitment efforts to further expand participation and maximize the initiative's impact. These efforts are intended to ensure sustained provider enrollment, continued alignment with legislative intent, and the effective deployment of resources to address critical workforce needs across the state.

North Carolina Nurse Initiative (NCNI)

The North Carolina Nursing Initiative (NCNI) focuses on strengthening the nursing workforce by engaging nurses in outpatient community-based settings. It aims to improve recruitment and retention by supporting professional growth, increasing job satisfaction, and enhancing access to opportunities within rural healthcare systems.

Although the incentive program requires registered nurses to apply within their first five years of employment, it supports both recruitment and retention goals. Awarded recipients are required to

complete a service commitment of up to four years at the eligible practice site in order to receive program funding. This structured obligation helps ensure workforce stability and strengthens workforce continuity by encouraging registered nurses to establish and maintain practice within eligible facilities over a sustained period.

Building on lessons learned from the NC PCPI, ORH launched NCNI in October 2025. The NCNI targets the recruitment and retention of nurses across six Medicaid regions in North Carolina. The Initiative was structured to support equitable regional distribution. Within weeks of launch, Region 3 and Region 6 reached full enrollment capacity, demonstrating strong interest and need. Recruitment is actively ongoing in the remaining Medicaid regions, with ORH working collaboratively with local clinics, state facilities, health departments, and private practices to identify eligible participants.

Some regions experienced slower engagement due to competing workforce programs, staffing shortages, and differing facility readiness. In response, ORH increased its community outreach presence, conducted informational sessions with nursing directors, and utilized the National Rural Recruitment and Retention Network (3RNET) postings and strategic use of social media platforms and other online channels. 3RNET is a national nonprofit organization that serves as a web-based recruitment tool that connects healthcare professionals with job opportunities in rural communities across the country. ORH also coordinated and hosted virtual career fairs in partnership with organizations across the state and nationwide, to expand reach and engage prospective candidates effectively and reach broader audiences. Regional coordinators have been instrumental in connecting directly with health systems and local leaders to identify and resolve implementation challenges quickly.

ORH anticipates supporting over 60 nurses with the NCNI. The North Carolina Nurse Initiative has demonstrated substantial statewide interest, with a total of 915 applicant inquiries received to date. A significant portion of these inquiries originated from nurses practicing in hospital inpatient-based roles and specialty settings, including cardiology, neurology and dermatology. While this response reflects broad awareness and interest in the program, many of these applicants did not meet current eligibility requirements due to the legislative mandate limiting participation to qualifying practice settings.

Currently, seven contracts have been fully executed, representing a total awarded amount of $149,046. This early participation reflects the program's role in supporting the recruitment and retention of nursing professionals and advancing access to quality care in rural and underserved communities across the state.

In addition, 16 contracts are presently in progress and are anticipated to be executed in the near term, which will result in an additional $403,557 in program awards. These pending contracts indicate a strong and growing pipeline of eligible candidates and underscore the continued demand for nursing workforce incentives throughout North Carolina.

Furthermore, 18 applications are currently under formal review for program consideration. The program team remains actively engaged in outreach with the North Carolina Nurses Association, North Carolina Association of Local Health Directors, and North Carolina Public Health Association to provide applicant support and contract development to expedite execution and increase overall enrollment. These efforts are intended to ensure timely deployment of legislative funding, sustained participation in the initiative, and measurable progress toward strengthening the nursing workforce in high-need communities statewide.

Behavioral Health Provider Initiative

ORH partnered with North Carolina Department of Health and Human Services Division of Mental Health, Developmental Disabilities and Substance Use Services (DMH/DD/SUS) to implement the Behavioral Health Initiative.

The North Carolina Licensed Workforce Loan Repayment Program continues to demonstrate strong demand and early operational progress. Launched on December 1, 2025, through a partnership between ORH and DMH/DD/SUS, the program is a $20 million statewide initiative designed to recruit and retain licensed mental health and substance use professionals as defined as eligible in authorizing legislation and serving rural and underserved communities.

By December 31, 2025, the program received 462 applications and nearly 200 applicant inquiries, reflecting significant statewide interest in loan repayment as a workforce recruitment and retention strategy. Outreach was conducted through multiple channels, including the DMH/DD/SUS Side by Side webinar, Hot Topics email communications, the program website (Licensed Workforce Loan Repayment Program), and DHHS social media platforms to ensure broad awareness across the state.

To support increased application volume and ensure effective program administration, a Workforce Analyst dedicated to loan repayment operations was hired on December 22, 2025, strengthening capacity for application tracking, compliance with legislation, data analysis, and reporting. Program operations were further enhanced through the standardization of applicant communications, promoting consistent and equitable responses, and the initiation of application review and prioritization processes. Early review activity identified incomplete documentation as the most common submission issue, prompting targeted follow-up to support application completion and maintain program integrity.

Applications remain open and reviews are ongoing. Additional program data, including provider category, practice site, development tier designation of the county where the practice site is located and the type and amount of incentive provided to each provider will be collected. DMH/DD/SUS anticipates supporting a minimum of 400 eligible licensed providers delivering mental health, substance use, intellectual and developmental disabilities, and traumatic brain injury services in rural and underserved areas of North Carolina through this Initiative.

Outreach, Partnerships, and Collaboration

The success of these Initiatives depends on strong partnerships and continuous collaboration. ORH continues to engage a robust network of organizations to support recruitment and information sharing. These include but are not limited to:

- Center on the Workforce for Health and Area Health Education Centers (AHECs) – assisting with regional workforce needs assessments and promotion of incentive opportunities.
- North Carolina Medical Society and North Carolina Association of Family Physicians – supporting provider engagement.
- NC Caregiving Workforce Strategic Leadership Council and Primary Care Clinicians Work Group Meeting (NC SHIP) - strengthening access to care.
- North Carolina Community Health Center Association and North Carolina Association of Free and Charitable Clinics– identifying qualifying safety-net sites.
- North Carolina Nurses Association and Academy of Physician Assistants – promoting incentives through member communications.
- NC Healthcare Association, NC Council on Mental Health, and NC Psychiatric Association – advancing mental and behavioral health recruitment.
- DMH/DD/SUS hosted a Side-by-Side Webinar to announce and discuss the Licensed Workforce Loan Repayment Program; a recording is available on the program website.
- Program launch announcements were distributed through multiple DMH/DD/SUS "Hot Topics" emails, reaching approximately 9,500 subscribers.
- The program was featured in the NCDHHS external newsletter, reaching more than 73,000 subscribers statewide.
- NCDHHS issued a press release on December 1, generating media coverage across multiple outlets statewide, including CBS 17, WCNC, WECT, WWAY, and regional news publications.
- The Licensed Workforce Loan Repayment Program webpage received approximately 14,000 views, with peak traffic during the application opening week.
- Program information was shared across NCDHHS social media channels and amplified by partner and affiliated organizations.
- Targeted outreach was conducted through partnerships with the Public Service Leadership Program, the Social Work Coalition for North Carolina Workforce Development, and the National Association of Social Workers–North Carolina Chapter to reach eligible licensed professionals.

Through these partnerships, ORH has broadened awareness of new programs by participating in conferences, hosting webinars, and publishing updates in newsletters and online platforms. ORH also uses digital recruitment tools such as 3RNET, Constant Contact, and DHHS website updates to ensure statewide reach.

Program Barriers and Challenges

While implementation has been highly successful, ORH identified several barriers and corresponding mitigation strategies:

1. Limited Provider Awareness – Addressed through targeted marketing campaigns and partnerships with professional organizations.
2. Contracting Delays – Resolved by introducing standardized templates, weekly contract review meetings, and improved internal coordination.
3. Technology and Application System Readiness – Mitigated through extensive testing and user feedback before public launch.
4. NC Department of Commerce tier system changing annually – A few counties changed status: thus, impacting the PCPI and NCNI applications.

Each of these challenges informed ORH's approach to continuous improvement and system-level planning for 2026 and beyond.

Future Outlook and Commitment

Looking ahead, ORH will continue to refine and expand its strategies to meet the evolving healthcare needs of North Carolina's rural population. Through sustained collaboration, data-driven decision-making, and responsive leadership, ORH remains committed to ensuring that rural and underserved communities have access to the healthcare workforce they deserve. These Initiatives are more than recruitment tools, they represent investments in community vitality, equity, and long-term sustainability.

ORH expresses deep gratitude to the North Carolina General Assembly and DHHS leadership for their vision and support. Funding to support administration of the Incentive Programs has enhanced the ability for ORH to administer and recruit providers. The success of these programs is a testament to what can be achieved when state policy, community engagement, and workforce innovation align toward a common goal: a stronger, healthier, and more connected North Carolina.