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3 Title: Interest-Based Debt Burden on Medical Students and Residents
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5 Introduced by: Mara Darian, for the Medical Student Section
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7 Original Author: Eric James
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9 Referred To: Reaffirmation Calendar
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11 House Action: **REAFFIRMED**
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14 Whereas, 73 percent of medical students graduated with debt in 2017, and

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16 Whereas, in the United States, the average medical school loan debt in 2017 was \$192,000,
17 as opposed to \$50,000 in 1992, representing a 220 percent increase in debt, and

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19 Whereas, subsidized, interest free loans were previously available prior to the 2011-2012
20 academic year for up to \$34,000 dollars, but are no longer available to medical students, and

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22 Whereas, Stafford unsubsidized loans prior to 2006 had an interest rate of 1.87 percent
23 while in medical school to a current fixed and capitalizing rate of 6.8 percent, and

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25 Whereas, the current interest rate on Graduate Plus Loans, used to supplement the cost of
26 medical education outside the Stafford loan has a fixed interest rate of 7.9 percent, and

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28 Whereas, medical school debt is negatively associated with mental well-being, and
29 academic outcomes, as well as an association with seeking higher paying specialties as opposed to
30 primary care, and

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32 Whereas, the American Medical Association (AMA) recognizes the shortage of physicians
33 across specialties, including primary care, and to explore other innovative solutions to the
34 recognized shortage, and

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36 Whereas, the funding for graduate medical education has not increased consistent with the
37 number of medical school graduates, creating further financial risk for medical students, and

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39 Whereas, MSMS policy dictates the pursuing of immediate debt relief for medical students
40 and the analysis of novel solutions to the medical student debt crisis, and

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42 Whereas, the bipartisan H.R. 1554, "The Resident Education Deferred Interest Act," currently
43 in the United States House of Representatives Education and Labor Committee aims to make
44 interest free deferment on loans during medical or dental internships or residency, and

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46 Whereas, AMA policy supports advocacy for legislation and regulation that would lead to
47 more favorable terms and conditions for borrowing and loan repayment, as well as the self-
48 managed low interest loan programs, and
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50 Whereas, the AMA supports taking an active role in the reauthorization of the Higher
51 Education Act, and similar legislations to expanding loan deferment and other concerns regarding
52 medical school debt, and

53 Whereas, AMA policy states the AMA will collaborate to advocate for reduction of Stafford
54 and Graduate Plus Loan program interest rates; therefore be it

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56 RESOLVED: That MSMS advocate for the passage of the bipartisan Resident Education
57 Deferred Interest Act, H.R. 1554; and be it further

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59 RESOLVED: That Michigan Delegation to the American Medical Association (AMA) ask our
60 AMA to strongly advocate for the passage of the bipartisan Resident Education Deferred Interest
61 Act, H.R. 1554 and adoption of an amendment to include conversion of currently unsubsidized
62 Stafford and Graduate Plus loans to interest free status for the duration of undergraduate medical
63 education.

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66 WAYS AND MEANS COMMITTEE FISCAL NOTE: Resolutions requesting governmental advocacy -
67 \$25,000+

Relevant MSMS Policy:

Medical School Debt Forgiveness

MSMS supports the principle of debt forgiveness for students of Michigan medical schools in return for service in primary care in the state of Michigan.

Financial Aid for Medical Students

Adequate financial aid systems should be available for financially needy medical students.

Resolution 46-08

RESOLVED: That MSMS pursue immediate debt relief for medical students at the statewide level by advocating for tuition freezes upon matriculation at state medical schools, pursuing scholarship and loan repayment options for students who stay to train and practice in the state, and continue to advocate at the state and national level for medical student debt relief; and be it further

RESOLVED: That the Michigan Delegation to the AMA ask the AMA to pursue long-term solutions to the student debt crisis by hiring an economic consulting firm to analyze the feasibility of novel solutions¹ including; 1) competency-based curriculums that shorten the length of undergraduate education and medical school, 2) work-study opportunities, 3) paid rotating internships for fourth-year students who have passed initial licensing exams and have the training equivalents of mid-level providers, 4) financial investment funds that match parental savings, 5) relief for dual degrees not covered by the National Institute of Health, 6) pursuit of government Medicare funding for undergraduate medical education funding, and 7) implementing international medical student tuition models, among other viable options.

Relevant AMA Policy:

Reduction in Student Loan Interest Rates D-305.984

1. Our AMA will actively lobby for legislation aimed at establishing an affordable student loan structure with a variable interest rate capped at no more than 5.0%.
2. Our AMA will work in collaboration with other health profession organizations to advocate for a reduction of the fixed interest rate of the Stafford student loan program and the Graduate PLUS loan program.
3. Our AMA will consider the total cost of loans including loan origination fees and benefits of federal loans such as tax deductibility or loan forgiveness when advocating for a reduction in student loan interest rates.

4. Our AMA will advocate for policies which lead to equal or less expensive loans (in terms of loan benefits, origination fees, and interest rates) for Grad-PLUS loans as this would change the status quo of high-borrowers paying higher interest rates and fees in addition to having a higher overall loan burden.
5. Our AMA will work with appropriate organizations, such as the Accreditation Council for Graduate Medical Education and the Association of American Medical Colleges, to collect data and report on student indebtedness that includes total loan costs at completion of graduate medical education training.

Principles of and Actions to Address Medical Education Costs and Student Debt H-305.925

The costs of medical education should never be a barrier to the pursuit of a career in medicine nor to the decision to practice in a given specialty. To help address this issue, our American Medical Association (AMA) will:

1. Collaborate with members of the Federation and the medical education community, and with other interested organizations, to address the cost of medical education and medical student debt through public- and private-sector advocacy.
2. Vigorously advocate for and support expansion of and adequate funding for federal scholarship and loan repayment programs--such as those from the National Health Service Corps, Indian Health Service, Armed Forces, and Department of Veterans Affairs, and for comparable programs from states and the private sector--to promote practice in underserved areas, the military, and academic medicine or clinical research.
3. Encourage the expansion of National Institutes of Health programs that provide loan repayment in exchange for a commitment to conduct targeted research.
4. Advocate for increased funding for the National Health Service Corps Loan Repayment Program to assure adequate funding of primary care within the National Health Service Corps, as well as to permit: (a) inclusion of all medical specialties in need, and (b) service in clinical settings that care for the underserved but are not necessarily located in health professions shortage areas.
5. Encourage the National Health Service Corps to have repayment policies that are consistent with other federal loan forgiveness programs, thereby decreasing the amount of loans in default and increasing the number of physicians practicing in underserved areas.
6. Work to reinstate the economic hardship deferment qualification criterion known as the "20/220 pathway," and support alternate mechanisms that better address the financial needs of trainees with educational debt.
7. Advocate for federal legislation to support the creation of student loan savings accounts that allow for pre-tax dollars to be used to pay for student loans.
8. Work with other concerned organizations to advocate for legislation and regulation that would result in favorable terms and conditions for borrowing and for loan repayment, and would permit 100% tax deductibility of interest on student loans and elimination of taxes on aid from service-based programs.
9. Encourage the creation of private-sector financial aid programs with favorable interest rates or service obligations (such as community- or institution-based loan repayment programs or state medical society loan programs).
10. Support stable funding for medical education programs to limit excessive tuition increases, and collect and disseminate information on medical school programs that cap medical education debt, including the types of debt management education that are provided.
11. Work with state medical societies to advocate for the creation of either tuition caps or, if caps are not feasible, pre-defined tuition increases, so that medical students will be aware of their tuition and fee costs for the total period of their enrollment.
12. Encourage medical schools to (a) Study the costs and benefits associated with non-traditional instructional formats (such as online and distance learning, and combined baccalaureate/MD or DO programs) to determine if cost savings to medical schools and to medical students could be realized without jeopardizing the quality of medical education; (b) Engage in fundraising activities to increase the availability of scholarship support, with the support of the Federation, medical schools, and state and specialty medical societies, and develop or enhance financial aid opportunities for medical students, such as self-managed, low-interest loan programs; (c) Cooperate with postsecondary institutions to establish collaborative debt counseling for entering first-year medical students; (d) Allow for flexible scheduling for medical students who encounter financial difficulties that can be remedied only by employment, and consider creating opportunities for paid employment for medical students; (e) Counsel individual medical student borrowers on the status of their indebtedness and payment schedules prior to their graduation; (f) Inform students of all

government loan opportunities and disclose the reasons that preferred lenders were chosen; (g) Ensure that all medical student fees are earmarked for specific and well-defined purposes, and avoid charging any overly broad and ill-defined fees, such as but not limited to professional fees; (h) Use their collective purchasing power to obtain discounts for their students on necessary medical equipment, textbooks, and other educational supplies; (i) Work to ensure stable funding, to eliminate the need for increases in tuition and fees to compensate for unanticipated decreases in other sources of revenue; mid-year and retroactive tuition increases should be opposed.

13. Support and encourage state medical societies to support further expansion of state loan repayment programs, particularly those that encompass physicians in non-primary care specialties.

14. Take an active advocacy role during reauthorization of the Higher Education Act and similar legislation, to achieve the following goals: (a) Eliminating the single holder rule; (b) Making the availability of loan deferment more flexible, including broadening the definition of economic hardship and expanding the period for loan deferment to include the entire length of residency and fellowship training; (c) Retaining the option of loan forbearance for residents ineligible for loan deferment; (d) Including, explicitly, dependent care expenses in the definition of the "cost of attendance"; (e) Including room and board expenses in the definition of tax-exempt scholarship income; (f) Continuing the federal Direct Loan Consolidation program, including the ability to "lock in" a fixed interest rate, and giving consideration to grace periods in renewals of federal loan programs; (g) Adding the ability to refinance Federal Consolidation Loans; (h) Eliminating the cap on the student loan interest deduction; (i) Increasing the income limits for taking the interest deduction; (j) Making permanent the education tax incentives that our AMA successfully lobbied for as part of Economic Growth and Tax Relief Reconciliation Act of 2001; (k) Ensuring that loan repayment programs do not place greater burdens upon married couples than for similarly situated couples who are cohabitating; (l) Increasing efforts to collect overdue debts from the present medical student loan programs in a manner that would not interfere with the provision of future loan funds to medical students.

15. Continue to work with state and county medical societies to advocate for adequate levels of medical school funding and to oppose legislative or regulatory provisions that would result in significant or unplanned tuition increases.

16. Continue to study medical education financing, so as to identify long-term strategies to mitigate the debt burden of medical students, and monitor the short-and long-term impact of the economic environment on the availability of institutional and external sources of financial aid for medical students, as well as on choice of specialty and practice location.

17. Collect and disseminate information on successful strategies used by medical schools to cap or reduce tuition.

18. Continue to monitor the availability of and encourage medical schools and residency/fellowship programs to (a) provide financial aid opportunities and financial planning/debt management counseling to medical students and resident/fellow physicians; (b) work with key stakeholders to develop and disseminate standardized information on these topics for use by medical students, resident/fellow physicians, and young physicians; and (c) share innovative approaches with the medical education community.

19. Seek federal legislation or rule changes that would stop Medicare and Medicaid decertification of physicians due to unpaid student loan debt. The AMA believes that it is improper for physicians not to repay their educational loans, but assistance should be available to those physicians who are experiencing hardship in meeting their obligations.

20. Related to the Public Service Loan Forgiveness (PSLF) Program, our AMA supports increased medical student and physician benefits the program, and will: (a) Advocate that all resident/fellow physicians have access to PSLF during their training years; (b) Advocate against a monetary cap on PSLF and other federal loan forgiveness programs; (c) Work with the United States Department of Education to ensure that any cap on loan forgiveness under PSLF be at least equal to the principal amount borrowed; (d) Ask the United States Department of Education to include all terms of PSLF in the contractual obligations of the Master Promissory Note; (e) Encourage the Accreditation Council for Graduate Medical Education (ACGME) to require residency/fellowship programs to include within the terms, conditions, and benefits of program appointment information on the PSLF program qualifying status of the employer; (f) Advocate that the profit status of a physicians training institution not be a factor for PSLF eligibility; (g) Encourage medical school financial advisors to counsel wise borrowing by medical students, in the event that the PSLF program is eliminated or severely curtailed; (h) Encourage medical school financial advisors to increase medical student engagement in

service-based loan repayment options, and other federal and military programs, as an attractive alternative to the PSLF in terms of financial prospects as well as providing the opportunity to provide care in medically underserved areas; (i) Strongly advocate that the terms of the PSLF that existed at the time of the agreement remain unchanged for any program participant in the event of any future restrictive changes.

21. Advocate for continued funding of programs including Income-Driven Repayment plans for the benefit of reducing medical student load burden.

22. Formulate a task force to look at undergraduate medical education training as it relates to career choice, and develop new policies and novel approaches to prevent debt from influencing specialty and subspecialty choice.

Sources:

1. Youngclaus J. An Exploration of the Recent Decline in the Percentage of U.S. Medical School Graduates with Education Debt. *AAMC Anal Br.* 2018;1(4).
2. Pisaniello MS, Asahina AT, Bacchi S, et al. Effect of medical student debt on mental health, academic performance and specialty choice: A systematic review. *BMJ Open.* 2019;9(7):1-15. doi:10.1136/bmjopen-2019-029980
3. Craft JA, Craft TP. Rising medical education debt a mounting concern. Graduates also face less favorable repayment terms, shortage of training positions. *Mo Med.* 2012.
4. Babin B, Harris A, Posey B, Gosar P, Stivers S. Resident Education Deffered Interest Act. Washington D.C.: United States House of Representatives; 2019. <https://www.congress.gov/bill/116th-congress/house-bill/1554/all-info>.