

OSR Focus on Legislative Affairs

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Tomorrow's Doctors, Tomorrow's Cures

Concise updates on recent legislation. Additional information may be found on the AAMC's Government Affairs website and online editions of Washington Highlights: www.aamc.org/advocacy/start.htm

President Releases Budget Proposal, House and Senate Approve Budget Resolutions - Bryan Harris

President Bush released his fiscal year 2009 budget proposal on February 4th. The following table outlines his proposals for top AAMC priorities.

	FY08 Final	07-08 Δ	FY 09 Pres. Budget	08-09 Δ
NIH	\$29.23 B	1.1%	\$29.23 B	0%
Title VII	\$194.0 M	5.0%	\$0	-100%
Title VIII	\$156.0 M	4.0%	\$110.0 M	-30%
AHRQ	\$335.0 M	5.0%	\$326.0 M	-2.7%
Child GME	\$302 M	1.7%	\$0	-100%
NHSC	\$124.0 M	-1.7%	\$121.0 M	-2.4%
CDC	\$6.376 B	1.8%	\$5.691 B	-10.7%
VA Med	\$36.721 B	5.6%	\$38.74 B	5.5%
VA Research	\$480 M	7.6%	\$442 M	-7.9%
NSF Total	\$6.056 B	2.5%	\$6.263 B	3.3%

The President proposes to completely eliminate Title VII funding and cut Title VIII (nursing) funding by 30%. Title VII and Title VIII of the Public Health Service Act authorize a variety of grants for students, programs, and institutions to improve the racial and ethnic diversity, geographic distribution, and quality of the health care work force. These programs are designed to meet the nation's needs by increasing the supply of primary medical and dental care providers and public health and allied health professionals, training more health professionals in fields experiencing shortages, improving the geographic distribution of health professionals, expanding access to health care in underserved areas, and enhancing minority representation in the pool of practicing health professionals. *Continued on page 2*

Brief Updates – Gabriel Fine

On September 6, 2007, the “**Physician Payments Sunshine Act**” (S. 2029) was introduced by Senators Chuck Grassley (R-IA), Herb Kohl (D-WI), Ted Kennedy (D-MA), Chuck Schumer (D-NY), and Amy Klobuchar (D-MN). Similar legislation was introduced in the House of Representatives on March 13, 2008, by Representative Peter DeFazio (D-OR) and 11 co-sponsors, including House Ways and Means Health Subcommittee Chair Pete Stark (D-CA). The legislation requires manufacturers of drugs, devices, and biologics covered under Medicare, Medicaid, or SCHIP with \$100 million or more in annual gross revenues to disclose the amount of money they give to physicians over \$25 through payments, gifts, honoraria, travel and other means. This information would be published on a publicly-accessible website. Companies would receive a fine between \$10,000 and \$100,000 for each physician payment not disclosed. The bill is currently in the first stage of the legislative process and has been referred to the Senate Finance Committee and the Energy and Commerce Committee and Ways and Means Committee in the House of Representatives.

On January 16, 2007, Representative Louise McIntosh Slaughter (D-NY28) introduced “**The Genetic Information Nondiscrimination Act**” (GINA) to prohibit discrimination with respect to health insurance and employment on the basis of genetic information. On April 25, 2007, the House passed (420-3) GINA as a *Continued on page 2*

Economic Hardship Deferment, Loan Forgiveness Program, and New Higher Loan Limits - Keya Sau

The Department of Education's [Negotiated Rulemaking](#) Committee on student loans met on February 4-6 and March 4-6 to discuss changes made to educational loan repayment under the “College Cost Reduction and Access Act of 2007” (CCRAA, [P.L. 110-84](#)). The Department of Education appointed AAMC Committee on Student Financial Assistance (COSFA) Chair Carrie Steere-Salazar to represent graduate and professional schools on the Department's negotiating committee. The CCRAA eliminated the debt-to-income ratio (20/220) pathway of the Economic Hardship Deferment [see [OSR Focus, January, 2008](#)], however the Department of Education chose to continue this pathway in its November 1, 2007, regulations. Approximately two thirds of graduating medical students qualify under the 20/220 pathway of the Economic Hardship Deferment to defer payment on their federal student loans for three years without additional interest penalties. The Committee also examined the new income-based repayment program, and public service loan forgiveness programs, both of which become effective July 1, 2009.

On March 4, 2008, the Department of Education announced plans to eliminate the 20/220 pathway of the Economic Hardship Deferment after July 1, 2009, citing cost as the reason for the reversal of its earlier decision. In response to the announcement, the AAMC and the American Medical Association (AMA), March 12, sent a joint [letter](#) to members of the House and Senate education committees, urging them to reinstate the 20/220 Economic Hardship Deferment option during the ongoing conference of the Higher Education Act (HEA) reauthorization bills, which is expected to finish in April. The letter notes that “medical residents rely on the 20/220 pathway to help defray their high debt burden,” and “Borrowers with high loan debt may be deterred from entering public health service, practicing medicine in underserved areas, starting a career in medical education or research, or practicing primary care medicine.” *Continued on page 2*

Both Chambers of Congress Pass Separate HEA Reauthorization Bills - Jesse Hinckley

The Higher Education Act, originally passed in 1965, was reauthorized last in 1998. That reauthorization expired on September 30, 2003. However, administration of HEA has been uninterrupted because of several extensions authorized by Congress. The current extension (P.L. 110-109) is set to expire on March 31, 2008; however, an additional extension until April 30, 2008, (S. 2733) has been presented to the President for enactment.

During the 110th Congress, several bills have passed the Senate or House to reauthorize the Higher Education Act. Legislative initiatives include the “Student Loan Sunshine Act” (H.R. 890), the “College Cost Reduction Act of 2007” (H.R. 2669), the “Higher Education Access Act of 2007” (S. 1762), and the “Higher Education Amendments of 2007” (S. 1642). Most recently, on February 7, 2008, the House of Representatives passed ([354-58](#)) the “College Opportunity and Affordability Act of 2007” ([H.R. 4137](#)), which would reauthorize HEA through 2012.

The House bill includes an increase in the annual Perkins loans limit for graduate and professional students, a new \$10,000 loan forgiveness program for certain specialty training/fellowship programs requiring more than five years for which there are fewer nationwide applicants than positions, a new six-month grace period for repayment of GradPLUS loans, an initiative to increase financial literacy of students, and requirements that institutions certify ... *Continued on page 2*

Budget *continued*

Because Graduate Medical Education (GME) payments are made through Medicare, freestanding Children's hospitals that train residents need additional budget measures to compensate for the disparity in funding for pediatric teaching hospitals versus other types of hospitals. The Bush proposal eliminates all Children's GME payments.

The President proposes to decrease the National Health Service Corps (NHSC) allocation by \$3 million. The NHSC provides loan repayment for health care providers who deliver primary care services to adults and children in underserved communities. The Bush proposal does ask for a \$202 million increase in the National Science Foundation (NSF) allocation. The NSF provides research grants to investigators in all fields of basic science and engineering.

The proposal seeks to slow the rate of both Medicare and Medicaid spending. Medicare spending would be curtailed largely through freezing reimbursement rates for inpatient and outpatient services through 2011, by implementing a 30 percent reduction in Medicare disproportionate share hospital (DSH) payments over two years, as well as a 60 percent reduction in Indirect Medical Education (IME) payments over three years and the elimination of IME payments made under the Medicare Advantage Program. IME payments are made to teaching hospitals to account for factors such as the severity of illness of patients in teaching hospitals, the specialized services and treatment programs provided by teaching institutions, and the additional costs associated with the teaching of residents. On the issue of controlling Medicaid costs, the Administration's proposals address long-term care, prescription drug benefits, as well as several other aspects of the program.

Both the Senate and House passed their non-binding budget resolutions on March 12. The Senate version assumes an additional \$3 billion for the NIH, a 10.3 percent increase over the FY 2008 appropriation, in contrast to the President's request of a zero percent update for the NIH. The Senate also approved an additional \$600 million for the NSF and Dept of Energy's Office of Science. The Senate also adopted amendments to promote the use of electronic prescribing technologies, increases in funding levels for autism research, education, and early detection, development in biodefense medical countermeasures by fully funding the Biomedical Advanced Research and Development Authority (BARDA), and increases in funding for the FDA.

The House and Senate versions must be reconciled in conference committee after the Easter recess. It is important to note that the budget resolution is non-binding, but rather simply sets the overall spending limit for the coming year. It is the appropriators who decide specific funding levels for individual programs.

Updates *continued*

stand-alone measure. However, a Senate companion bill (S. 358) has not moved beyond the Jan. 31, 2007, approval of the Senate Committee on Health, Education, Labor, and Pensions (HELP).

On March 5, 2008, the House of Representatives approved mental health parity legislation (H.R. 1424) that includes text from GINA. H.R. 1424 must be reconciled with similar legislation (S. 558) passed by the Senate on September 19, 2007, that does not include GINA. Also on March 5, the White House released a Statement of Administration Policy (SAP) that expressed opposition to the inclusion of GINA in the mental health parity bill for both substantive and process reasons, including the lack of a clear "firewall" between the provisions on discrimination in health benefits and those on discrimination in employment," the failure "to ensure that health benefits disputes are properly brought under the appropriate remedies in ERISA, the Public Health Service Act, or the Internal Revenue Code," the concern the legislation could "have the unintended effect of prohibiting health plans and issuers from using information about the manifested disease of a dependent covered under an individual's plan for appropriate and routine insurance purposes," and the need to clarify the legislation's relationship with other provisions of law, such as Health Insurance Portability and Accountability Act.

Economic Hardship *continued*

With elimination of the 20/220 deferment option, starting on July 1, 2009, medical residents will have the option of the new income-based repayment (IBR) program. While the 20/220 pathway had allowed qualifying medical residents to postpone repayment of their student loans without additional interest penalties, IBR will require medical residents to make reduced monthly loan repayments. Negotiators will meet again April 14 before the Department publishes draft regulations in the *Federal Register* for public comment.

While the elimination of the deferment option creates further strain on medical students already burdened with high levels of debt from student loans, a new increase in Stafford Loan Limits for health professions students will provide some relief. On September 4, 2007, the AAMC coordinated a sign-on [letter](#) to Secretary of Education Margaret Spellings, asking that the Stafford loan limits be raised for health professions students to help alleviate the growing debt burden faced by medical students. In response to this letter, the Department of Education has announced a plan to raise the combined aggregate Stafford loan limit for health professions students from \$189,125 to \$224,000. This increase in funding affects unsubsidized Stafford loans, allowing medical students to borrow an increased sum in loans at a 6.8 percent interest rate, and allowing students to avoid having to borrow through higher-rate GradPLUS and private loans. In a February 28 [letter](#) to AAMC President and CEO Darrel G. Kirch, M.D., Secretary Spellings announced her intent to publish a "Dear Colleague" letter, shortly, with additional information.

Reauthorization *continued*

private loans and provide information about alternative federal loans. H.R. 4137 also authorizes new funding and grant programs that expand eligibility for "Graduate Assistance in Areas of National Need," new grants for medical and nursing schools to provide courses teaching students about medical errors and efforts to reduce medical harm and improve patient outcome, and a requirement that states maintain funding to public institutions of higher education at a level equal or greater than either their average over the past 5 years or the previous academic year ([see Washington Highlights, Feb. 8, 2008](#)).

In addition, the bill includes the "Student Loan Sunshine Act" language ([H.R. 890](#)), which would require institutions to develop a code of conduct for financial aid offices and to disclose relationships with lenders, restrict transactions and relationships between financial aid administrators and lenders, and require "preferred lender lists" to include at least three unaffiliated institutions ([see Washington Highlights, Nov 16, 2007](#)).

On July 24, 2007, the Senate unanimously passed their version of a bill to reauthorize HEA, the "Higher Education Amendments of 2007" ([S. 1642](#)), which would reauthorize HEA for five years. The Senate bill also contains several non-budgetary provisions ([see Washington Highlights, July 27, 2007](#)). The differences between the Senate and House versions of reauthorization will need to be resolved in committee before a final version can be sent to the President's desk. For more information, see: [Reauthorization of the Higher Education Act](#)

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