

# OSR Focus on Legislative Affairs

A Resource for OSR Representatives

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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](http://www.aamc.org/advocacy/start.htm)

## The College Cost Reduction and Access Act of 2007 and Student Debt Repayment – Keya Sau

On November 1, 2007, the Department of Education published final regulations in the Federal Register ([Vol. 72 FR 61960-62011](#)) to implement certain provisions of the recently passed "College Cost Reduction and Access Act of 2007" ([CCRAA](#), P.L.110-84) and other recent changes to the Higher Education Act (HEA). The final rule preserved the economic hardship deferment debt-to-income ratio despite its statutory elimination in the CCRAA. In addition to the preservation of this pathway, the CCRAA and the Department of Education's new rules provide an increase in federal poverty line requirements, allowing more residents to qualify for economic hardship.

On September 27, 2007, the CCRAA was signed by President Bush. The new law has the potential to eliminate the debt-to-income ratio qualifying pathway, known as the 20/220 rule, of the economic hardship deferment. The economic hardship deferment allows borrowers to postpone payment on their educational loans for three years, during which time the government pays the interest on their subsidized loans and the remaining unsubsidized interest is not capitalized. The 20/220 rule is the most common qualifying pathway for medical residents. Currently, borrowers qualify if:

- ° Their monthly loan payments exceed 20 percent of their monthly income
- ° Their monthly income minus their monthly loan payments does not exceed 220 percent of 150 percent of the federal poverty line for their family size.

Effective October 1, 2007, the CCRAA eliminated the 20/220 rule in statute, leaving only the qualifying requirement that a borrower's income not exceed 150 percent of the federal poverty line for their family size (\$15,315 for an individual or \$20,535 for a family of two), making it unlikely that residents would qualify. However, before this change was implemented in practice, the Department of Education was required to develop new regulations for the administration of economic hardship deferment. On October 12, the AAMC wrote a letter to Secretary of Education Margaret Spellings commenting on the CCRAA. In the letter, the AAMC recommends:

- ° Temporarily extending the debt-to-income ratio pathway until the new income-based loan repayment program takes effect in 2009
- ° Allowing current participants in economic hardship deferment to finish out their remaining years of eligibility.

The Department of Education's November 1 regulations continued the 20/220 rule under authority granted to the Secretary of Education to establish qualifying criteria. The regulations also did not specify an end-date for this economic hardship deferment pathway. An October 29 [letter](#) from Assistant Secretary of Education Terrell Halaska to House Education and Labor Committee Ranking Member Howard "Buck" McKeon (R-Calif.) confirmed that the Department of Education would continue the 20/220 economic hardship deferment pathway.

Confusion over the potential elimination of the economic hardship deferment caused some lenders to begin denying applications under the 20/220 rule. On December 3, 2007, the Department of Education's Assistant Secretary for Postsecondary Education Diane Auer Jones sent a [letter](#) to the AAMC confirming that the debt-to-income ratio qualifying pathway for economic hardship has not been changed.

*Continued on page 2*

## Continuing Resolutions & Extensions for SCHIP – Jesse Hinckley

Almost three months after the State Children's Health Insurance Program (SCHIP) was set to expire (September 30, 2007), Congress approved an extension of the program through March 2009 ([S. 2499](#)).

Over the summer and early fall of 2007, the House of Representatives and the Senate approved a bill to reauthorize SCHIP and expand the program ([H.R. 976](#)). The Senate passed the reauthorization with a bipartisan veto-proof majority vote, but the House fell short of a two-thirds majority vote. On October 3, President Bush vetoed the bill citing concerns that it went too far toward centralized healthcare and provided coverage for adults. Two weeks later, the House fell 16 votes short of the two-thirds majority (289 votes) needed to override the Presidential veto. Representatives who voted against the veto override cited concerns of funding the program and argued that it covered illegal immigrants.

The vetoed legislation was largely based on a Senate-passed SCHIP reauthorization bill. Unlike the Senate-passed bill, the House-passed version, the "Children's Health and Medicare Protection Act of 2007" (CHAMP Act), combined SCHIP reauthorization (\$50 billion over 5 years) with Medicare provisions affecting a broad range of providers. At a total cost of \$90 billion over 5 years, the CHAMP Act included two years of Medicare physician payment relief (\$19 billion over 5 years). The CHAMP Act costs were offset by \$50.4 billion in Medicare Advantage cuts, a \$27 billion increase in federal tobacco taxes, cuts to certain Medicare Parts A and B providers (including a \$1.1 billion cut for inpatient services and \$0.3 billion for hospital outpatient care), and changes in Medicaid prescription drug reimbursement policy. *Continued on page 2*

## Medicare Reimbursements Cuts Averted – Brian Goentzel

On December 29, 2007, President Bush signed the "Medicare, Medicaid, and SCHIP Extension Act of 2007" (S. 2499). This legislation establishes a temporary 0.5 percent increase in the Medicare physician update until July 1, 2008; with passage of this bill, physicians avert a 10.1 percent cut in Medicare reimbursements effective January 1, 2008. This would have been the largest single year cut in the history of the Medicare program. While this appears to be a victory for physicians treating elderly and disabled patients, it is only temporary. The provision is six months in length extending from January 1 through June 30, 2008. Unless Congress takes further action, physicians face a July 1, 2007, reduction in the physician update of at least 10.1 percent.

S.2499 also provides extension of the Quality Reporting Program through 2009 and requires the Secretary of Health and Human Services to "establish alternative criteria" for quality reporting. PQRI establishes a financial incentive for eligible professionals who participate in a voluntary quality reporting program. The legislation also adjusts levels available in the Physician Assistance and Quality Initiative (PAQI) Fund. Additionally, five percent payment bonuses for those physicians practicing in areas with specific shortages was extended and the physicians Geographic Practice Cost Indices (GPCI) was floored at 1.0, both for an additional six months.

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### **College Cost** *continued*

As a result, lenders currently should be offering, and should never have stopped accepting, applications for the economic hardship deferment from medical residents that qualify under the debt-to-income ratio.

The CCRAA also created a new income-based repayment program and a new public service loan forgiveness program. The new income-based repayment program will cap all borrowers' loan payments at 15 percent of their income that exceeds 150 percent of the poverty line for the borrower's family size, but this provision will not go into effect until July 1, 2009. With this provision the average resident monthly payment would be \$368 out of the estimated average monthly stipend of \$3729 (based on an average resident's 1<sup>st</sup>-year annual stipend of \$44,753).

Additionally, the CCRAA created a new public service loan forgiveness program whereby the government will forgive outstanding loans for residents who have provided ten years of public service and have made 120 monthly loan payments. Importantly, residents working for 501(c)(3) employers will qualify as providing public service under this new public service loan repayment program.

The Department of Education is currently in the process of negotiated rulemaking to develop regulations to administer the new CCRAA programs. The Department has appointed AAMC Committee on Student Financial Assistance (COSFA) Chair Carrie Steere-Salazar, Director of Student Financial Services at the University of California San Francisco School of Medicine, to represent graduate and professional schools on the negotiating committee. The panel will also examine the potential elimination of the economic hardship deferment and the transition to income-based repayment program.

**Additional Resources:** Please see the document "Health Policy and Health System Resources" on the OSR website:

[www.aamc.org/members/osr/communications/legislative\\_affairs/hphs\\_resources.htm](http://www.aamc.org/members/osr/communications/legislative_affairs/hphs_resources.htm)

Any questions? Topics we didn't cover, issues you'd like to hear more about, items you think we either misrepresented or summarized incredibly well? LET US KNOW! Email any member of the Legislative Affairs Committee with your thoughts. We'd love to hear from you!

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### **SCHIP** *continued*

Even though September 30 passed without reauthorization of the program, SCHIP remained funded at FY 2007 levels under a continuing resolution ([H.J. Res. 52](#)) through November 16, 2007. Then, on November 8, Congress passed a Department of Defense Appropriations bill ([H.R. 3222](#), P.L. 110-116), which President Bush signed into law a few days later. The Defense Appropriations bill also included a second continuing resolution to extend funding at FY 2007 levels of several federal programs, including SCHIP.

By the end of November, Congress passed a second bill to reauthorize SCHIP ([H.R. 3963](#)) and sent it to the White House. Again, on December 12, President Bush vetoed the reauthorization, arguing that it was too similar to the first reauthorization bill ([H.R. 976](#)) and did not address his previous concerns.

Prior to leaving for the holidays, the House voted ([411-3](#)) to accept the Senate version of the "Medicare, Medicaid, and SCHIP Extension Act of 2007" ([S. 2499](#)) on December 19, a bill the Senate passed under unanimous consent a day earlier. S. 2499 funds SCHIP through March 31, 2009 at current levels and provides additional state allotments to maintain current enrollment levels. President Bush signed the extension into law on December 29, ensuring that SCHIP would be funded through the new year and the next round of Congressional reauthorizations.

### **Medicare** *continued*

While these and other provisions appear to be a temporary "fix" to the problem, they do come with an estimated cost of approximately five billion dollars over five years. According to a December 18 Congressional Budget Office (CBO) estimate, the six month Medicare physician reimbursement adjustment combined with changes to the PQRI/PAQI are estimated to cost 1.5 billion dollars over five years. The floor of the GPCI and payment bonuses to physicians in shortfall areas are expected to cost an estimated 200 million dollars each over a five-year period. To offset these and other costs, S. 2499 establishes a freeze of the inpatient rehabilitation facility (IRF) "compliance threshold" at 60 percent and establishes a zero-percent IRF update from April 1, 2008 through fiscal year 2009, which would result in a combined savings of 1.4 billion dollars over 5 years. S. 2499 would also implement recommendations that Centers for Medicare and Medicaid Services (CMS) adjust its Average Sales Price (ASP) calculation affecting certain Part B drugs, resulting in an estimated savings of one billion dollars over five years. Additionally, S. 2499 identifies program savings via a 1.5 billion dollar cut over five years to the Medicare Advantage Stabilization Fund.

The encouraging news is that this legislation has provided short-term relief regarding the proposed 10.1 percent cuts in Medicare physician update and extension of SCHIP. However, the legislation does not address future physician reimbursement cuts, which means the proposed reduction will take effect when the delay expires in June 2008 unless additional legislative action is taken.

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