

# OSR Focus on Legislative Affairs

A Resource for OSR Representatives

Volume 3 Issue 3 November 2007



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)

## Student Loans, Title VII, and Reauthorization of the Higher Education Act - Keya Sau

**Title VII Health Professions Programs**-On September 12, 2007, the AAMC and health professions leaders held a Title VII Health Professions Programs Capitol Hill Day to urge members of Congress to fully fund health professions training programs that were cut by 51% two years ago. The event was organized by the Health Professions and Nursing Education Coalition (HPNEC), a group of over seventy provider organizations, institutions, and community partnerships dedicated to educating health professionals, and coordinated by the AAMC. During the event, participants provided first-hand accounts of benefits gained through Title VII Programs.

**Reauthorization of the Higher Education Act**-The Higher Education Act (HEA) provides rules regarding Stafford Loan limits and the Economic Hardship Deferment option for loan repayment. Medical students and other health professions are allowed an aggregate limit of \$189,125 in Stafford loans. Despite the fact that allopathic, osteopathic, dentistry, veterinary medicine, optometry, podiatric medicine, and naturopathic medicine students are allowed additional unsubsidized loans in comparison to other types of graduate students, this aggregate loan limit still fails to meet the financial needs of many medical and other health professions students, forcing students to obtain loans with much less favorable repayment options.

In anticipation of House-Senate conference negotiations earlier this year regarding the reauthorization of the HEA, Dr. Darrell G. Kirch, AAMC President, sent an April 12, 2007, [letter](#) to Representative George Miller, Chair of the House Committee on Education and Labor, and Senator Edward Kennedy, Chair of the Senate Committee on Health, Education, Labor, and Pensions outlining needed revisions to the HEA and providing AAMC recommendations for amendments to this Act. The letter included suggestions for increasing Stafford Loan limits for medical students, increasing the length of the Economic Hardship Deferment for medical students in graduate medical programs of greater than three years duration, modifying accreditation guidelines to eliminate the requirement for public release of accreditation review summaries, and omission of language in previous Senate and House reauthorization bills that might suggest LCME reviewers compromise their standards in deference to a medical school's stated mission.

A subsequent [letter](#) sent by AAMC President Dr. Darrell Kirch, on July 11, 2007, regarding House and Senate HEA reauthorization packages reiterated these suggestions and provided further delineation of the specific costs of medical student loan repayment relative to resident income during later residency years. Dr. Kirch also stated that the AAMC provisionally supports the goals of the Student Loan Sunshine Act intended to provide transparency in medical school's lender relationships. Among specific amendments suggested, the AAMC requested that a rule requiring medical school financial aid officers (FAO) disqualification from lender advisory boards be removed to allow medical school FAO's, medical students' primary advocates, to contribute to lender policy development, ensuring the best possible terms and benefits. *Continued on page 2*

## Improving Affordability and Access to Healthcare - Katie Iossi

Improving the healthcare system is not just a hot topic among providers and the AAMC, but also among insurers, businesses, unions, presidential candidates, the President, and Congress.

During his 2007 State of the Union Address, President Bush announced his "Affordable Choices Initiative," which would give states money to help subsidize uninsured individuals' purchasing of private health insurance. The administration proposes to fund this by redirecting "some portion of institutional payments" that "either indirectly pay for uncompensated care or subsidize their operating expenses." No further details have been shared.

The Senate Finance Committee is conducting hearings on healthcare reform to hear from leaders in the field on methods to improve the healthcare system. The [first hearing](#) occurred on March 14<sup>th</sup> and focused on moving toward universal coverage. In his opening [statement](#), Chairman Max Baucus (D-Mont) called for Congress to "engage in an extensive and thoughtful dialogue" on health system reform. He stated that the remaining hearings will focus on sharing the burden (private coverage alternatives to employer-based or individual market plans), cost controls, prevention as the new foundation of the health system, and shared responsibility (who will bear the brunt of a new system).

The AAMC continues to monitor various plans to expand healthcare coverage. The AAMC sent a January 23 [letter](#) in support of the "Health Partnership Act" (H.R. 325) and the "Health Partnership Through Creative Federalism Act" (H.R. 506) which similarly establish a new federal funding mechanism for state health coverage initiatives. Both bills also create a "State Health Innovation Commission" to monitor the impact of such initiatives and report on their strengths and weaknesses.

## New Medicaid Rule & Graduate Medical Education - Keya Sau

A May 23, 2007 proposed rule would prohibit federal Medicaid matching funds for costs associated with graduate medical education (GME). Such action would eliminate a significant source of GME funding for teaching hospitals in most states. CMS stated that GME payments do not fall under the scope of Medicaid funding according to the Medicaid Statute. According to a report of survey results published by the AAMC in 2006, 47 of 50 states responding to the survey and the District of Columbia made direct payments for GME and IME through their state Medicaid programs.

In a comment [letter](#) dated June 22, 2007, the AAMC urged CMS to rescind the new Medicaid rule. The letter included a lengthy legal analysis of relevant issues, providing support for GME payment inclusion under Medicaid and rebutting CMS' legal argument for eliminating GME payments under Medicaid. The AAMC pointed out that the new rule represents a complete reversal in position of a decades-long Medicaid policy of funding GME and that the vast reductions in funding that result would lead to the deterioration of financial conditions for many teaching safety net hospitals. *Continued page 2*

### Reauthorization *continued*

Dr. Kirch's letter recommended an increase in the limits on additional unsubsidized loans available to health professions students and urged that regulation be enacted to require these loans to reflect changes in Stafford Loan limits. The AAMC pointed out several flaws with the rules regarding additional loans for health professions students, including that the additional loan limit 1) has been the same for a decade, 2) does not account for increases in Stafford loan limits, 3) does not account for programs of different durations (such as variable residency lengths), and 4) is not defined in regulation. Additionally, a group of 58 health professions organizations coordinated by the AAMC sent a [letter](#), dated September 4, 2007 urging Education Secretary Margaret Spellings to increase Stafford Loan limits from \$189,125 to \$223,793 for health professions students and to define this limit in regulation.

On September 27, 2007, the President signed a compromise HEA bill (conference report) that failed to include language from House and Senate approved bills to extend the three year limit on economic hardship deferment, despite the AAMC's recommendations. The AAMC's proposal would have allowed medical residents to postpone repayment of their student loans, avoiding forbearance, while the government continues to pay the interest on the subsidized portion of their loan. To the contrary, the new law changes the definition of economic hardship by eliminating the debt-to-income ratio pathway that most medical residents qualify under. The new definition of economic hardship will consider only income and medical residents are unlikely to qualify. The new law also creates an income-based repayment program that will cap medical residents' payments at 15 percent of their income that exceeds 150 percent of the federal poverty line for their family size (\$10,210 for individuals). With the average first year residency stipend of \$44,753, the monthly payment would be \$368, compared to the current typical \$2,025/month payment. All residents will qualify for the new income based repayment program.

Dr. Kirch sent an Oct. 12 [letter](#) to Secretary of Education Margaret Spellings commenting on the new law. The AAMC is concerned that the new law creates a "gap" in coverage for medical residents between October 2007 and July 2009, during which time they are not eligible for either the economic hardship deferment or a new income-based repayment program. The AAMC recommends 1) temporarily extending the debt-to-income ratio pathway until the new loan repayment program takes effect in 2009 and 2) allowing current participants in economic hardship deferment to finish out their remaining years of eligibility.

### OSR Legislative Affairs Committee

**National Delegate:** Bryan Harris, [bryan.d.harris@gmail.com](mailto:bryan.d.harris@gmail.com)

**Regional Delegates:**

**Central:** Jesse Hinckley, [jesse-hinckley@uiowa.edu](mailto:jesse-hinckley@uiowa.edu)

**Northeast:** Keya Sau, [sauk@mail.amc.edu](mailto:sauk@mail.amc.edu)

**South:** Brian Goentzel, [brian-goentzel@ouhsc.edu](mailto:brian-goentzel@ouhsc.edu)

**West:** Gabriel Fine, [fineg@u.washington.edu](mailto:fineg@u.washington.edu)

**Past National Delegate:** Katie Iossi, [katherine-iossi@uiowa.edu](mailto:katherine-iossi@uiowa.edu)

### New Medicaid *continued*

Furthermore, the AAMC identified a one-year moratorium imposed on the rule's implementation in the "Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007" (P.L. 110-28) that would prevent CMS from procuring comment on the new rule and recommended that Medicaid withdraw the rule until expiration of the moratorium. Other national associations, teaching hospitals, medical schools, and the National Association of State Medicaid Directors have made similar comments, including 66 physician specialty organizations who signed a group letter to CMS urging a withdrawal of the proposed rule.

In response to the new Medicaid rule Representatives Eliot Engel (D-N.Y.) and Sue Myrick (R-N.C.) introduced legislation ([H.R. 3533](#)) on September 14<sup>th</sup> entitled, "The Public and Teaching Hospital Preservation Act," to extend the moratorium on implementation of the Medicaid rule by an additional year so that Congress could effectively evaluate the rule and develop its intent. The legislation states that the proposed rule "would significantly change the scope of permissible payments under Medicaid by removing the ability for States to make payments related to graduate medical education." It further states that "Implementation of the rule regarding graduate medical education would force billions of dollars in payment reductions to teaching hospitals, thus hampering the ability of those providers to provide essential services including the education of the next generation of medical professionals despite a shortage of medical professionals."

Additionally, a Medicaid and SCHIP rule proposed on January 18, 2007 and finalized on May 29<sup>th</sup> provides language that significantly changes the Federal State Financial partnerships under Medicaid and SCHIP authority, leading to reduction in payments to providers by billions of dollars. P.L. 110-28 imposed a one year moratorium on this rule as well and H.R. 3533 would extend this delay by an additional year. The legislation states that the reduction in provider payments would result in "hampering the ability of impacted providers to provide essential services including allowing those providers to be ready and available for emergency situations and to provide care to the increasing numbers of uninsured."

**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!

For information about OSR, visit the website: [www.aamc.org/members/osr](http://www.aamc.org/members/osr)

### OSR STAFF

Ally Anderson, Manager, Student & Community Service Programs  
Denine Hales, Senior Administrative Associate  
Julie Taylor, Administrative Assistant

[aanderson@aamc.org](mailto:aanderson@aamc.org) 202-828-0682  
[dhaless@aamc.org](mailto:dhaless@aamc.org) 202-828-0681  
[jtaylor@aamc.org](mailto:jtaylor@aamc.org) 202-478-9922