

OSR Focus on Legislative Affairs

A Resource for OSR Representatives



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Tomorrow's Doctors, Tomorrow's Cures

What's Going On: Interest Rates

In the wake of hurricanes Katrina and Rita, and the proceedings surrounding two vacant Supreme Court seats, Congress has been slow to act on other issues, including those related to medical education. Currently, a version of the Higher Education Reauthorization Act, which includes numerous measures related to loans, interests rates, and other student issues, has been approved by the Senate Education Committee and awaits further consideration. While it is uncertain what impact the final provisions of this bill will have on medical students, it is important for you to be aware of possible changes in interest rates and interest rate provisions for consolidated loans.

Two possible changes to be aware of are:

- Fixed vs. Variable rates – Currently when consolidating loans, a fixed rate is applied. That rate is based on the weighted average of loans to be consolidated and capped at 8.25%. This allows you the benefit of knowing what your monthly payments will be and the total you will pay back over the term of your loan, without worry about rate changes (which have been at historic lows, but are on the way up). Some current proposals call for a variable or fixed rate option, set every July 1st at the rate of the 91-day T-bill + 2.3% (variable) or 3.3% (fixed) for the duration of repayment, with a cap of 8.25%. If this change is put into effect, fixed rates will increase and with a variable rate, it will become more difficult to predict in advance your monthly payments and total loan costs. While the rate variability leaves the possibility that your interest rates will decrease in the future, given the current historically low rates, it is more likely that future rates will increase.
- Increased Interest Rates – As outlined above, the interest rates of Stafford loans (<http://www.fafsa.com/stafford.htm>) are currently set at a variable rate based on the 91-day T-bill + 2.3%. This year's rate of 4.7%, while increased from last year, is still historically low. As such, it is likely that next year's rates will be higher. Also, some members of Congress have proposed moving to a fixed rate of 6.8%, as opposed to the current variable rate capped at 8.25%. While those changes may sound minimal, take a look at the difference they make over the life of a loan.
 - \$100,000 at 5.30% paid over 20 years = \$162,393.71
 - \$100,000 at 7.00% paid over 20 years = \$186,071.74
 - \$100,000 at 8.25% paid over 20 years = \$204,495.76

Interest Rates continued

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What may seem like small changes in rates can make a big difference over time. Pay attention to any information regarding these changes and take the time to understand the implications so that you can make the best decisions for your future. To learn more go to: <http://www.aamc.org/advocacy/library/educ/ed0003.htm>

Financing Health Care - Understanding the US Health Care System by Katie Iossi

Understanding basic concepts of the U.S. healthcare system can better prepare students for life as a physician and working with the business side of patient care. Policies set by the state and federal governments affect physicians and medical practice. Here are a few key concepts on how the healthcare system functions.

One hundred years ago, medicine and payment methods were different than they are now. Care was provided by the doctor and, most often, the patient reimbursed him/her directly at an agreed upon rate. The consumer purchased a good or service directly from the provider. In contrast, our current health care system involves several intermediaries who perform functions that were not a part of the prior relationship such as insurance companies, employers, government, managed care organizations, third-party administrators, and collection agencies.

Insurance—A mechanism to spread risk among a population. It protects the individual by spreading the cost of care for unexpected expensive medical services among a pool of insured individuals. The insurance plan dictates what care is covered and where and how it is provided.

Financing—Money that is put forth in order to purchase insurance.

Delivery—Services given by a healthcare provider.

Payment—Reimbursement that providers receive for services delivered. This rate is often set by the insurance company and the health care provider before services are actually sought by the patient.

The financing, insurance, and payment functions can be performed by the same entity or by separate entities. For example, under the Medicare (<http://www.medicare.gov>)

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and Medicaid programs, the government provides financing and insurance, but a third-party administrator handles payment. With private insurance, employers provide most of the financing, while insurance companies provide insurance and handle payment. Some large employers have enough people to provide their own insurance (they can spread risk among their own employee pool) and then only require a company to administer the plan and handle payment. In addition, Managed Care Organizations have combined financing, insurance, payment, and delivery, seeking to cut costs by streamlining administrative work.

Insurance companies, therefore, can encompass all four functions or as few as one. Very few people actually pay the healthcare provider directly for his or her services. Thus, what insurance plans do and do not cover generally has a large effect on what services are provided to patients, or, if services are provided regardless of coverage, what providers will see for reimbursement.

Delivery is then often based on what the employer, the insurance company, or the government decide to cover. The patient and doctor are no longer the only players in healthcare delivery and are no longer the only major decision-makers.

Additionally, insurance plans (<http://www.insurelane.com/health/health-insurance-explained.html>) often cover services provided at many different sites. One delivery site can accept many different types of payment, and individuals can enroll in different plans even through the same employer. Thus, the name U.S. Healthcare System is misleading. Different systems of payment, financing, insurance, and delivery exist: it is, perhaps, more accurate to refer to our mode of health care delivery in the plural: US Healthcare Systems.

Physicians in Politics: Dr. Tom Coburn, U.S. Senate

by Michael McNeely

Whether he's delivering babies in Muskogee or inciting controversy in Washington, D.C., one thing is certain about Dr. Tom Coburn—he loves his work. Unfortunately, the two roles may prove to be legally incompatible.

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Coburn

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Coburn graduated from Oklahoma State University in 1970 with a degree in accounting. After an eight-year stint managing the family business, an optical lens company, he enrolled in the University of Oklahoma College of Medicine, graduating in 1983. He completed an internship in general surgery at St. Anthony's Hospital in Oklahoma City and a residency in family practice at the University of Arkansas at Fort Smith. Upon settling in Muskogee, Oklahoma, Coburn assumed the role of county doctor, serving as obstetrician for a largely indigent clientele.

In 1994, Dr. Coburn found himself assuming a very different role, that of Republican congressman. During his six-year term in the House of Representatives, Dr. Coburn was permitted to continue practicing medicine. However, upon his 2004 election to the U.S. Senate, he was notified by the Senate Ethics Committee that the rules prohibit its members from earning income from their professions or businesses after they've been sworn in. The rule was designed to prevent legislative conflicts of interest, but an outraged Dr. Coburn sees no such potential conflicts arising from his medical practice. Moreover, he sees the move as retaliation for his indefatigable opposition to pork-barrel spending which, over the years, has infuriated countless legislators from both political parties.

Regardless, Dr. Coburn has vowed to fight the rule. The Senate refused his appeal for a special waiver that would allow him to continue to practice during legislative recesses, despite his offer to forego any earnings beyond his overhead. As a compromise, Dr. Coburn has stopped accepting new patients, but will see his already-pregnant patients to term, and will not accept any payment from them after September 30.

"I can't think of one person who came to me (as an obstetrician) to influence me and how I vote in Congress," he says. "It's not about making money. . . . Once you've paid medical malpractice insurance and nurses and overhead, there isn't any. The key to it is maintenance of skill and . . . to stay connected to the people of Oklahoma. When you're a doctor in an exam room, you're not a senator or a congressman."

To learn more go to <http://coburn.senate.gov/>

For information about the OSR, visit the OSR Web site at:
<http://www.aamc.org/members/osr>

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