ISSUE SUMMARY

While medical education is an excellent investment, federal financial aid programs are critically important to helping ensure medical school remains affordable for students from all backgrounds. The AAMC is deeply concerned with an ongoing federal trend of cutting graduate and professional (“grad/prof”) student aid. The upcoming reauthorization of the Higher Education Act (HEA) is an opportunity to improve financial aid for medical students, as well as remove administrative and regulatory burdens for medical schools.

Issue

There is a growing disparity between undergraduate and grad/prof education policy, such as in the Public Service Loan Forgiveness (PSLF) program and student loans. Any changes in the HEA reauthorization must recognize the unique aspects of medical education, including higher costs of attendance and residency training necessary for licensure and practice. Congress should use HEA reauthorization to ensure that the Department of Education’s state authorization, gainful employment, and postsecondary institution ratings system regulations appropriately account for the differences in medical education.

In 2015, the typical medical school graduating debt was $183,000. Depending on the federal repayment plan and length of medical residency, expected total repayment amounts range from $329,000 to $480,000. While student debt can be a significant burden to some graduates, AAMC analysis and surveys have found that, on the whole, educational debt seems to have relatively little influence on specialty choice. Nonfinancial factors such as personal interest in a specialty’s content and/or level of patient care seem to have more influence on specialty choice.

Additionally, nationwide physician workforce shortages have put added pressures on medical schools and the medical student pipeline. With decreasing state financial support, it is important for Congress to ensure that the HEA reauthorization helps keep medical education affordable for students from all backgrounds and that medical education debt does not become an insurmountable burden in the future.

Background

In recent years, policymakers have proposed several cuts to grad/prof student aid that hurt medical students and jeopardize the affordability of medical education:

- The Obama administration’s budget proposed capping PSLF at undergraduate levels, costing medical students over $100,000 in loan forgiveness.
- The Department of Education revised the Pay as You Earn (PAYE) program so that grad/prof students have an extra five years of repayment before they are eligible for forgiveness compared with the repayment time for undergraduates.
- Congress eliminated the grad/prof Stafford loan subsidy, increasing total repayment for medical students between $10,000 and $20,000.
- Grad/prof interest rates are 1.55 percentage points (approximately 40 percent) higher than interest rates for undergraduate loans, despite the higher education costs and lower default rates of medical students.

The PSLF program forgives federal student loan debt for physicians that practice at government or nonprofit facilities for 10 years—the longest obligation for a federal public service program for physicians. Unlike other safety net repayment programs, which were designed to protect students, PSLF was established to help meet the country’s public service needs. Since its creation, medical students have reported increased interest in participating in PSLF at facilities like teaching hospitals that provide a disproportionate share of charity and Medicare/Medicaid patient care.
As originally defined under the PSLF program, public service includes “public health”; the program description specifically lists, for example, “full-time professionals engaged in health care practitioner occupations and health care support occupations.” In medicine, public service can include both primary care and specialty disciplines—family medicine physicians at community health centers, emergency medicine physicians at inner-city hospitals, or surgeons at Department of Veterans Affairs (VA) medical centers. By 2025, the AAMC projects a shortfall of between 14,900 and 35,600 primary care physicians and between 37,400 and 60,300 in other physician specialties.

The Obama administration’s proposed cap for PSLF at undergraduate levels unnecessarily limits physicians’ ability to participate in this new program. The higher cost of graduate and professional repayment benefits is underwritten by higher interest rates, unsubsidized loans, and income-driven repayment. As a result, physicians inequitably repay more per dollar borrowed than undergraduates, despite higher debts and lower default rates. Public service also should not be defined by income level. To be effective within any given occupation, incentives to pursue public service must be proportional to the income differential between the private and public sectors.

AAMC Policy Recommendations

- In line with recommendations of the National Association of Student Financial Aid Administrators (NASFAA), the AAMC urges any cap on forgiveness to be at least the aggregate graduate and professional student loan limit—$224,000 for physicians. The AAMC opposes capping PSLF in a manner that categorically or effectively excludes physicians or specific specialties.
- The AAMC opposes eliminating the grad/prof PLUS loan and capping federal loan limits at less than the full cost of attendance, which would force many medical students to take out private loans with less-favorable terms.
- The AAMC supports reducing interest rates and reinstating the graduate and professional in-school interest subsidy to match undergraduate loan terms and simplify the student aid system.
- The AAMC encourages simplifying the Free Application for Federal Student Aid (FAFSA) and consolidating income-driven repayment plans to reduce unnecessary complexity.

Related Issue

- Public Service Programs

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Web Resources

Student Aid Alliance
http://act.studentaidalliance.org

AAMC’s FIRST (Financial Information, Resources, Services, and Tools) Program
www.aamc.org/first

Medical Student Education: Debt, Costs, and Loan Repayment Fact Card
www.aamc.org/download/447254/data/debtfactcard.pdf

Physician Education Debt and the Cost to Attend Medical School: 2012 Update
https://members.aamc.org/eweb/upload/Physician%20Education%20Debt%20and%20the%20Cost%20to%20Attend%20Medical%20School,%202012%20Update.pdf