Medical student debt and the physician workforce: Problems and solutions

The problem

Medical students often incur huge debt to finance their education. Student loan debt continues to be a tremendous hardship, especially during a physician’s residency training program.

• In 2007, the typical medical student graduated from medical school with an average of $139,751 in student loan debt. During residency training, physicians work for an average starting salary of $44,747 without significant increase until the conclusion of residency.

• The elimination of the 20/220 pathway, through which 67 percent of entering residents were eligible for economic hardship deferment of federal loans, will present a financial burden to young doctors during their challenging and demanding training years.

• The cost of education often affects a medical graduate’s career choices. Borrowers with heavy debt burden are often deterred from entering public health service, practicing medicine in “underserved” areas, starting a career in medical education or research, or practicing primary care medicine.

• The cost of education is also the primary reason that minority students choose not to apply for medical school.

Moreover, due to several factors which include the rising debt burden, the health care workforce is not meeting the needs of underserved areas in the country.

• As predicted by the Council on Graduate Medical Education (COGME), the United States is facing a worsening physician shortage, which will reach 85,000 in the year 2020.

• About 20 percent of the U.S. population resides in primary medical care Health Professional Shortage Areas.

The solution

Addressing student debt and health care workforce concerns is a high priority for the AMA’s medical student and resident physician members. The AMA supports proposals to:

• Reinstate the 20/220 pathway. Senate bill S. 2303 and House bill H.R. 4344, as well as the HEA Reauthorization bills (H.R. 4137 and S. 1642), would provide a legislative means for this reinstatement. Legislators also have an opportunity to advocate for a regulatory reinstatement by communicating their support for reinstatement to the Department of Education during its negotiated rule-making process.

• Expand the loan deferment period. The loan deferment period—currently limited to three years for those who qualify—should be extended throughout residency and fellowship training, such as through S. 1066, the Medical Education Affordability Act.

• Ensure fair, low interest rates for new student loans.

• Account for the special needs of students who are caring for dependents. Students with dependents should be permitted to claim dependent care costs (health insurance, living expenses, etc.) in the calculation of “cost of attendance” for loan eligibility.

• Require lenders to report timely loan payments to all national credit bureaus, fully disclose consolidated loan terms to applicants, and provide greater transparency on loan terms and conditions.

• Require Department of Education or Government Accountability Office (GAO) study on medical student indebtedness.

• Support the reauthorization of the Higher Education Act, the National Health Service Corps and Title VII programs with increased funding for programs that address debt and workforce issues.

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Reauthorization of the Higher Education Act (HEA)

The Higher Education Act has not been reauthorized since 1998. The HEA governs federal student aid programs which are critical to medical students and residents. Congress has passed several extensions to fund programs under the Act. The latest in this series of extensions will expire on April 30, 2008. Several AMA-supported proposals (including a GAO study on medical indebtedness and lender transparency provisions) are included in either the House and Senate HEA Reauthorization bills, H.R. 4137 and S. 1642. The AMA urges Congress to maintain those proposals in the final legislation during conference as well as include the remaining AMA debt relief proposals outlined above—including the 20/220 pathway reinstatement—when the HEA is ultimately reauthorized.

Reauthorization of the National Health Service Corps (NHSC)

Many medical students plan to practice in medically underserved communities. Unfortunately this goal is precluded by many factors, including rising student debt, limited reimbursement by both public and private payers, and medical liability costs. The NHSC is a vital program that recruits and retains primary care physicians and other health care providers into underserved rural areas by providing incentives through loan forgiveness programs and scholarships. As the program’s reauthorization is discussed this year in Congress, permanent and increased funding is essential to sustaining the NHSC’s ability to provide our nation’s medically underserved population with access to health care services.

Reauthorization of Title VII of the Public Health Service Act

Title VII of the Public Health Service Act, Section 747, authorizes appropriations for family medicine, general internal medicine and general pediatrics, physician assistants, and general and pediatric dentistry. The Section 747 program is a critical federal program that supports primary health care training and educational programs, with the goal of increasing the number of primary care physicians and other health care providers to provide health care to medically underserved communities. The AMA strongly supports increasing funding for Title VII, especially for programs that increase access to care for the medically underserved.

Ask Congress to:

• Support the Senate and House bills, S. 2303 and H.R. 4344, to reinstate the 20/220 pathway
• Reauthorize the Higher Education Act, the National Health Service Corps and Title VII programs with favorable provisions to help ease the high debt burden for medical graduates