



AMERICAN ASSOCIATION OF
COLLEGES OF OSTEOPATHIC MEDICINE

OFFICE OF THE PRESIDENT

August 29, 2014

The Honorable Tom Harkin
Chairman
Committee on Health, Education, Labor and Pensions
United States Senate
428 Senate Dirksen Office Building
Washington, D.C. 20510

Dear Chairman Harkin:

On behalf of the American Association of Colleges of Osteopathic Medicine (AACOM), thank you for the opportunity to submit comments on the discussion draft of the *Higher Education Affordability Act*, which addresses a broad range of issues on increasing consumer protections for students while holding higher accountability thresholds for loan servicers; working to address educational loan debt; providing additional protections for military students; and strengthening accountability and transparency for Title IV student financial aid programs. We greatly appreciate the opportunity to share our initial thoughts and we look forward to working with you throughout the Higher Education Act's (HEA) reauthorization process.

AACOM represents the 30 accredited colleges of osteopathic medicine in the United States. These colleges are accredited to deliver instruction at 42 teaching locations in 28 states. In the 2013-14 academic year, these colleges educated over 23,000 future physicians – more than 20 percent of U.S. medical students. Six of the colleges are publicly controlled; 24 are private institutions.

AACOM strongly supports the inclusion of the following recommendations in any proposal addressing HEA reauthorization:

Lower the interest rates on federal graduate and professional student loans to ensure that education for medical students and other health professionals is affordable.

AACOM recommends that the proposal's study to review the impact of federal financial aid changes on graduate students include the impact of the elimination of the in-school interest subsidy on Federal Stafford loans for graduate and professional students mandated by the *Budget Control Act of 2011*. Furthermore, we urge Congress to prioritize lowering interest rates and the caps put in place by the *Bipartisan Student Loan Certainty Act of 2013*. More than 23,000 students are enrolled at osteopathic medical schools, and more than 20 percent of new U.S. medical students are training to be osteopathic physicians. By 2019, that number is expected to grow to 25 percent. 2013 graduates of the nation's osteopathic medical schools reported mean debt levels of more than \$211,000 for their medical education. Given the increasing physician workforce shortage, we urge support for policies that help future physicians better afford medical school and accrue less debt over the course of their training to become licensed physicians.

The student loan interest rate formula should recognize graduate students with higher debt burdens and the in-school interest subsidy on Federal Stafford loans for graduate and professional students should be re-instated.

Rising tuition costs are not the only cause of increasing debt loads. Interest accrued on federal student loans over time significantly adds to the cost of student debt. Students are also entering medical school with more educational debt from their undergraduate education and have been negatively affected by provisions in the *Budget Control Act of 2011* that resulted in the aforementioned elimination of the in-school interest subsidy on Federal Stafford loans.

Additionally, the higher graduate interest rates and interest rate caps in the *Bipartisan Student Loan Certainty Act of 2013* are disproportionate to the lower undergraduate interest rates and interest rate caps. AACOM requests that Congress give thoughtful consideration to the above-mentioned disparities and support the undergraduate to the graduate student pipeline to help ensure that graduate and professional students accrue and graduate with less debt.

Develop a comprehensive, sustainable, long-term solution for student loans.

Medical students already face significant loan debt when they graduate, and they rely upon the certainty that the costs of paying off these loans will not significantly fluctuate from year to year. AACOM supports lowering the graduate interest rate caps in the *Bipartisan Student Loan Certainty Act of 2013* for Stafford loans and PLUS loans. Many current osteopathic medical students will pursue careers in primary care and many will practice in rural and underserved areas; these are areas that already face shortages of primary care providers. Students with high debt loads are less likely to pursue primary care specialties, further exacerbating the physician workforce shortage. AACOM strongly requests that Congress consider the long-term debt which these high interest rates and caps are already projected to reach over the next five to 10 years, and work toward addressing a more feasible solution in dealing with student loan debt – one that does not disincentive service in the primary care arena.

In addition, AACOM supports streamlining student loan repayment plans to better inform them of their options and enable them to afford their monthly payments.

Continue to invest in programs that require a service component in loan repayment options.

AACOM encourages the creation of new programs and supports the continuation of current programs that directly fund students pursuing primary care and other needed specialties.

Osteopathic medical schools have a strong tradition of graduating future physicians who serve in rural and urban underserved areas, and many of these students participate in programs such as the National Health Care Service Corps (NHSC) and the Indian Health Service and other loan repayment and scholarship programs. In 2013, NHSC scholarship awards given to osteopathic medical students comprised 22 percent of all awards to medical students (MD and DO) across the nation; the same year, approximately half of physician awardees for the NHSC Loan Repayment Program were awarded to osteopathic physicians. Investing in these programs is critical to addressing educational debt while producing primary care physicians and other health professionals in areas of high need across the country.

We appreciate the proposal's recommended review of the Public Service Loan Forgiveness (PSLF) Program and encourage the Congress to continue its support for this successful program, which encourages physicians, health professionals, and others to enter and continue to work full-time in public service jobs. Many medical students with a high loan burden use this program to reduce payments during their medical residency, which reduces payments by hundreds to thousands of dollars each month. According to AACOM's 2012-13 Academic Year Graduating Seniors Survey, 51 percent of graduating osteopathic medical students planned to participate in the PSLF Program.

Invest in educational innovation.

AACOM strongly supports innovation and progressive solutions to advance the learning of U.S. student populations as well as supports resources necessary for educational institutions to achieve this innovation. Therefore, AACOM supports legislation, such as H.R. 3136, which promotes competency-based education demonstration projects to promote educational innovation among educational institutions and creates an opportunity for these institutions to have a platform to advance student learning through a forward-looking lens. We encourage Congress to create more opportunities for these types of innovative proposals to support modernized learning models in the 21st Century.

Revisit regulations which create barriers for medical education and training.

AACOM supports accountability and transparency for federal financial aid programs to ensure borrowers are protected and well-informed, however we have concerns with numerous federal regulations which continue to cause an additional burden for osteopathic medical schools and the students they train and we strongly request you take the below hardship of these regulations into consideration during these discussions.

Revisit the state authorization provisions in the 2010 USDE's program integrity regulation to address the unintended consequences for medical schools and their students, and exempt these schools from the provisions.

Although we recognize the broader attempt by the USDE to pursue accountability of and reduce misuse of federal student financial aid programs, the state authorization provisions have created an untenable burden for medical schools and have intruded upon state-based regulations. This oversight has been historically reserved for the states. Since state policies vary widely, there is no consistency with implementation of these provisions across the states, leaving many schools struggling to comply with 50 different state policies. Since most osteopathic medical schools have out-of-state clinical rotation sites, this regulation has left medical schools struggling to comply with authorization in all 50 states.

Also, there has been much perplexity regarding the distance education provision as stated in the regulation, which has resulted in varying state statutory requirements with which medical schools must comply. It is critical to understand the factors unique to medical education and the training of future physicians. Clinical training is a mandatory requirement to become a licensed physician. Therefore, AACOM supports directly addressing the aforementioned unintended consequences and exempting medical schools from this onerous requirement.

Re-examine the gainful employment regulation with particular consideration for the factors unique to medical education.

U.S. medical students complete a common sequence of course work, clinical training, and national board exams, regardless of whether they attend a public, non-profit, or for-profit medical school. Following graduation, physicians cannot begin to practice until they complete additional graduate medical education training, which takes between three and seven years (depending upon their field of specialty) and pass additional national licensure exams.

The unique requirements of medical education impose a significant financial burden to medical students who accumulate large amounts of debt and rely heavily upon various federal loan options. During medical residency training, medical residents earn a stipend; however, that income is generally not sufficient to begin full repayment of educational loans, and is certainly not indicative of the future

practicing physician's salary. As a result, medical residents depend on federal financial aid options such as forbearance and income-based repayment to postpone or reduce their obligations until they become licensed physicians. According to the gainful employment rule, borrowers who participate in these repayment programs after graduation are not considered to be repaying their loans or as being gainfully employed. While we understand that the regulation only pertains to for-profit schools, we are concerned with the potential future application of these requirements to all U.S. medical schools.

Require the USDE to improve Federal Student Aid's (FSA) oversight of foreign medical school pass rates.

According to the USDE Office of Inspector General's January 30, 2012 final audit report, *Federal Student Aid's Oversight of Foreign Medical School Pass Rates*¹ found that FSA was not timely in taking appropriate actions against foreign medical schools identified as having failed to submit the required pass rate data or meet the pass rate threshold. As a condition of eligibility to participate in the federal student loan programs, foreign medical schools – free standing and component – are required to have a specified percentage of their students who took any step of the U.S. medical licensing examine in the preceding year receive passing scores on the exams.

Effective July 1, 2010, the specified pass-rate threshold of 60 percent was increased to 75 percent pursuant to the *Higher Education Opportunity Act* in an effort to help ensure that with regard to foreign medical schools, federal student loans are made only to students attending foreign med schools with high standards. AACOM strongly encourages stricter oversight of the 75 percent pass-rate threshold and prompt action against non-compliant schools.

Furthermore, AACOM strongly supports *The Foreign Medical School Accountability Fairness Act of 2013* (S.1822/H.R.3903), which would require that all foreign medical schools be held to the same standards and accountability in order to receive Title IV federal financial aid and would encourage the inclusion of the above in any HEA proposal set forth.

Thank you for providing the opportunity to share our views. We look forward to working closely with Congress during the HEA reauthorization to ensure that osteopathic medical students and schools are well-served by Title IV student financial aid programs.

Respectfully,

A handwritten signature in black ink, appearing to read "SC Shannon". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Stephen C. Shannon, D.O., M.P.H.
President and CEO

¹ "Foreign Medical Schools: Education Should Improve Monitoring of Schools that Participate in the Federal Student Loan Program," GAO-10-412, dated June 28, 2010.