



AMERICAN ASSOCIATION OF
COLLEGES OF OSTEOPATHIC MEDICINE

OFFICE OF THE PRESIDENT

August 2, 2013

The Honorable John Kline
Chairman
Committee on Education and the Workforce
U.S. House of Representatives
2181 Rayburn House Office Building
Washington, D.C. 20515

The Honorable George Miller
Senior Democratic Member
Committee on Education and the Workforce
U.S. House of Representatives
2181 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Virginia Foxx
Chairwoman
Subcommittee on Higher Education
and Workforce Training
U.S. House of Representatives
2181 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Ruben Hinojosa
Ranking Member
Subcommittee on Higher Education
and Workforce Training
U.S. House of Representatives
2181 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Kline, Senior Democratic Member Miller, Chairwoman Foxx, and Ranking Member Hinojosa:

On behalf of the American Association of Colleges of Osteopathic Medicine (AACOM), which represents the nation's 29 colleges of osteopathic medicine at 37 locations in 28 states, thank you for the opportunity to submit comments on the reauthorization of the Higher Education Act (HEA). We greatly appreciate the opportunity to share our initial thoughts and we look forward to working with you throughout the HEA reauthorization process.

AACOM strongly supports the inclusion of the following recommendations:

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

More than 21,000 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. Already, more than 21,000 students enrolled at osteopathic medical schools across the nation expect to graduate with, on average, medical educational debt of \$205,000. Given the increasing physician workforce shortage, we support policies that help future physicians better afford medical school.

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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 elimination of the in-school interest subsidy on Federal Stafford loans for graduate and professional students.

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.

Develop a comprehensive, sustainable, long-term solution for student loan interest rates.

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.

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 2012, NHSC scholarship awards given to osteopathic medical students comprised 35 percent of all awards to medical students (MD and DO) across the nation. AACOM also supports re-evaluating how osteopathic medical students pay for their education, including exploration of programs that would defer payment while medical residents are completing the required training to become licensed physicians.

In addition, AACOM, as a member of the Federation of Associations of Schools of the Health Professions, has endorsed the enclosed budget-neutral Debt in Health Education Loan Programs (DebtHELP) legislative proposal. This measure is intended to improve the effectiveness of the federal student aid programs at the U.S. Department of Education (USDE) and at the Health Resources and Services Administration, increase parity between the two agencies, and reduce any unnecessary redundancies and administrative inefficiencies at zero cost to the taxpayer.

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.

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', written in a cursive style.

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

Enclosure

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.

The Debt in Health Education Loan Programs (DebtHELP) Act: A Zero-Cost Proposal
by the Federation of Associations of Schools of Health Professions Education Association
(FASHP)

HEALTH PROFESSIONS STUDENT LOAN INTEREST RATES

Set HRSA Title VII and Title VIII student loan interest rates to automatically adjust with ED's Stafford Loan rates

- Currently, the HRSA student loan programs offer a fixed 5 percent interest rate
- This rate was a disincentive when ED variable interest rates reached historic lows (2.48 percent)
- A Title VII and Title VIII rate of “seven tenths of the Stafford rate” (estimated at 4.76 percent), capped at 5 percent, would automatically reflect changes at ED
- Similarly, set the non-compliance penalty interest rate at the GradPLUS rate (currently 7.9 percent)
- The HRSA student loan program is a self-sustaining revolving fund and does not require federal funding

42 U.S.C. 292r(e) is amended by striking “of 5 percent per year” and inserting “equal to seven tenths of the rate provided under 20 U.S.C. 1087e(b)(7)(A), but not greater than 5 percent per year”

42 U.S.C. 297b(b)(5) is amended by striking “5 percent per annum” and inserting “equal to seven tenths of the rate provided under 20 U.S.C. 1087e(b)(7)(A), but not greater than 5 percent per year”

42 U.S.C. 292s(a)(3) is amended by striking “of 2 percent per year greater than the rate at which the student would pay if compliant in such year.” and inserting “equal the rate provided under 20 U.S.C. 1087e(b)(7)(B).”

CONSOLIDATING FEDERAL STUDENT LOAN DATA

Include HRSA student loans in the National Student Loan Data System (NSLDS)

- Currently, FAOs and health professions students must contact multiple federal agencies to ascertain the borrower's full loan portfolio, causing service misinformation and unnecessary administrative burdens

20 U.S.C. 1092b is amended by striking subsection (h) and inserting the following:

“(h) Integration of databases. The Secretary shall integrate the National Student Loan Data System with any other databases containing information on participation in programs authorized by title VII and title VIII of the Public Health Service Act [42 U.S.C. 292 et seq.]”

GRADUATE AND PROFESSIONAL STUDENT PLUS (GradPLUS) RETURNS

Revise the Stafford loan return order such that higher interest loans are the first to be returned (as intended)

- Currently, the GradPLUS loan is the last loan returned for students who leave an education program early, saddling them with the highest interest rate available at ED (7.9 percent)
- When GradPLUS loans were created, they were not separated from PLUS loans in the order of return for students that are required to return a portion of the amount borrowed (e.g., when only completing half a year).

20 U.S.C. 1091b(b)(3)(A) is amended by redesignating clauses (i), (ii), (iii), (iv), (v),(vi), and (vii) as clauses (iii), (iv), (v), (vi), (vii), (viii), and (ix), respectively; and inserting before clause (iii) (as redesignated), the following:

“(i) To outstanding balances on GradPLUS loans made to a graduate or professional student under section 1078–2 of this title for the payment period or period of enrollment for which a return of funds is required.

(ii) To outstanding balances on GradPLUS loans made to a graduate or professional student under part C of this subchapter for the payment period or period of enrollment for which a return of funds is required.”

ACCOMMODATING INCREASED HEALTH PROFESSIONS STUDENT LOAN LIMITS

Ensure health professions students with increased loan limits do not incorrectly trigger ED “over aggregate limit” flags

- By statute, certain health professions have higher aggregate loan limits, but ED often incorrectly identifies these loans as over the standard limit, resulting in another administrative burden for FAOs and confusion for students

Sense of Congress – It is the Sense of Congress that students with increased annual and aggregate loan limits as determined by the Secretary under 20 U.S.C.1075(a) should not trigger over aggregate limit flags until they have reached their increased limit.

TREATMENT OF HRSA STUDENT LOANS AS FEDERAL LOANS

Exempt HRSA federal student loan programs from the Truth In Lending Act (TILA) requirements

- Currently under TILA, FAOs are required to recommend higher interest rate loans at ED when a student is applying for lower interest rate HRSA Title VII and Title VIII health professions student loans
- The TILA requirements were designed for private student loans
- TILA defines private loans as all “Loans made, insured, or guaranteed pursuant to a program authorized by title IV of the HEA,]” thus defining all other federal loans as private
- This recommendation is supported by the Consumer Financial Protection Bureau (CFPB)

15 U.S.C. 1603 is amended by inserting after paragraph (7) the following:

“(8) Loans made, insured, or guaranteed pursuant to a program authorized by title VII and title VIII of the Public Health Service Act [42 U.S.C. 292 et seq.]”

DEFINITION OF INDEPENDENT HEALTH PROFESSIONS STUDENTS

Revise HRSA student loan guidelines to allow for a waiver of parent contribution information requirements for “dependent” students in extraordinary situations

- All HRSA student loan applicants under 24 years old are required to submit parental financial information, and applicants for Loans for Disadvantage Students (LDS) are considered dependents at any age
- Professional discretion would allow FAOs to waive this part of the application for students that are unable to submit the necessary information (e.g., estranged or incarcerated parents)
- This amendment is intended to create parity between HRSA and ED student loan guidelines in this area

42 U.S.C. 292r, 42 U.S.C. 292s, 42 U.S.C. 292t notes.

Student Loan Guidelines.--The Secretary of Health and Human Services shall not require parental financial information for students to determine financial need under section 721, section 722, and section 723 of the Public Health Service Act (42 U.S.C. 292r, 42 U.S.C. 292s, 42 U.S.C. 292t) and the determination of need for such information shall be at the discretion of applicable school loan officer. The Secretary shall amend guidelines issued by the Health Resources and Services Administration in accordance with the preceding sentence.

NHSC STATE LOAN REPAYMENT PROGRAM DEFINITIONS

Expand authorization of the National Health Service Corps (NHSC) State Loan Repayment Program (SLRP) to allow states to determine their unique primary care service needs

- The NHSC SLRP is a dollar for dollar federal match of state health professions repayment programs
- Currently, the NHSC SLRP is limited to matching the funding of only redundant state programs that address the same workforce shortages as the federal program
- The proposed state flexibility would allow states to identify unique workforce shortages that fall within the Institutes of Medicine (IOM) definition of primary care

42 U.S.C. 254q–1(a)(2) is amended by striking “health professions shortage areas.” and inserting at the end “public and nonprofit entities located in and providing health services in underserved locations as defined by the State, including but not limited to federally designated Health Professions Shortage Areas (HPSAs), Medically Underserved Areas (MUAs), and Medically Underserved Populations (MUPs). The term “primary health services” means integrated, accessible health care services by clinicians who are accountable for addressing a large majority of personal health care needs, developing a sustained partnership with patients, and practicing in the context of family and community, as determined by the State, including but not limited to services defined by the Secretary.”

42 U.S.C. 254q–1(c) is amended by striking paragraph (1) and redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

42 U.S.C. 254q–1 is amended by striking, wherever it appears, “health professions shortage area” and inserting “underserved location”.

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