AMA
AMERICAN MEDICAL ASSOCIATION

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The Honorable Miguel Cardona
Secretary
U.S. Department of Education
400 Maryland Avenue, SW, Room 7E307
Washington, DC 20202

Re: Docket ID ED-2023-OPE-0004: Improving Income-Driven Repayment for the William D. Ford Federal Direct Loan Program

Dear Secretary Cardona:

On behalf of the physician and medical student members of the American Medical Association (AMA), I appreciate the opportunity to comment on the Improving Income-Driven Repayment for the William D. Ford Federal Direct Loan Program proposed rule. The AMA supports efforts to ensure that individuals are offered fair loan terms and are provided with the ability to make meaningful progress towards paying off their student loans. As such, we appreciate that the U.S. Department of Education (Department) is reviewing and refining the rules related to federally held student loans.

The AMA supports decreasing the percentage of discretionary income that would be used in determining monthly student loan payments and urges the Department to ensure that resident physicians are included in the benefit of paying no more than five percent of their discretionary income.

The Department is proposing to reduce—to five percent of discretionary income—the payment required of a borrower based on the original principal loan balance that is attributable to their undergraduate student loans under the proposed REPAYE plan. However, borrowers would continue to pay 10 percent of their discretionary income for loans they received as a student in a graduate program. Borrowers who have outstanding loans for both undergraduate and graduate programs would pay an amount between five and 10 percent based upon the weighted average of their original principal loan balances, regardless of whether the loans have been consolidated or not.[1]

The AMA believes that the cost of medical education should never be a barrier to the pursuit of a career in medicine. However, according to a national survey, the cost of attending medical school was the number one reason why qualified applicants chose not to apply.[2] Medical education remains the most expensive post-secondary education in the United States. Nearly 75 percent[3] of medical school graduates have outstanding medical school debt, with the median amount being $200,000.[4] This number will only

[1] https://www.federalregister.gov/documents/2023/01/11/2022-28605/improving-income-driven-repayment-for-the-william-d-ford-federal-direct-loan-program.
[2] https://www.researchgate.net/publication/324523861_Doctors_of_debt_Cutting_or_capping_the_Public_Service_Loan_Forgiveness_Program_PSLF_hurts_physicians_in_training.
[3] https://www.aamc.org/system/files/2020-07/2020%20GQ%20All%20Schools%20Summary.pdf.
[4] https://www.aamc.org/system/files/2020-07/2020%20GQ%20All%20Schools%20Summary.pdf.

continue to significantly increase as the cost of medical school continues to rise. In fact, for first year students in 2020-2021, the average cost of attendance increased from the prior year for public medical schools by 10.3 percent, making it likely that medical students will have to carry even larger student loans in the future in order to graduate.[5]

Education Debt	Public	Private	All
Percentage with education debt	73%	68%	71%
Mean education debt of indebted only (versus 2021, %)	$194,558 (0%)	$222,899 (↑2%)	$205,037 (↑1%)
Median education debt of indebted only (versus 2021, %)	$193,000 (↓1%)	$224,000 (↑2%)	$200,000 (0%)

Education Debt (including premedical)	Percentage of Graduates		
	Public	Private	All
$100,000 or more	84%	84%	84%
$200,000 or more	49%	60%	53%
$300,000 or more	14%	29%	20%
Planning to enter loan forgiveness or repayment program			49%

Education Debt Breakdown	Percentage of Graduates	Median Debt
Premedical education debt	29%	$28,000
Medical education debt	68%	$200,000

Noneducation Debt	Percentage of Graduates	Median Debt
Credit cards	11%	$5,000
Residency and relocation loans	1%	$10,000

Source of data in tables above: FIRST analysis of AAMC 2022 Graduation Questionnaire data. Education debt figures include premedical education debt plus medical education debt.

Cost, In-State, 2022-23	Public	Private
Tuition and fees, first-year median	$41,181 (↑1%)	$67,443 (↑3%)
Cost of attendance (COA), first-year median	$67,641 (↑4%)	$93,186 (↑4%)
4-year COA for class of 2023, median	$268,476 (↑2%)	$363,836 (↑2%)

Source: AAMC TSF Survey data from 92 public schools and 61 private schools.

[6]

In general, reducing medical student indebtedness promotes diversity within medicine, may lead to an increase in the primary care physician workforce, and will likely increase the number of graduate medical students overall. This increase in physicians is desperately needed since workforce experts predict that the U.S. will face a significant physician shortage for both primary care and specialty physicians over the next 13 years. In particular, the Association of American Medical Colleges (AAMC) predicts a shortage of 124,000 physicians by 2034, including a projected shortage of primary care physicians between 17,800 and 48,000.[7]

Moreover, the debt burden that medical students must undertake results in drastic shortages in specialties with lower payment rates. As such, medical school debt has contributed to the growing primary care physician shortage and ultimately impacts the care and health of our U.S. population.[8,9] For example, one study indicated that 31 percent of medical students intended to pursue primary care in their first year of

[5] https://www.aamc.org/data-reports/reporting-tools/report/tuition-and-student-fees-reports/.
[6] https://store.aamc.org/downloadable/download/sample/sample_id/575/.
[7] https://searchlf.amaassn.org/letter/documentDownload?uri=%2Funstructured%2Fbinary%2Fletter%2FLETTERS.%2F2021-6-10- Letter-to-Pallone-and-Murray-re-HR-3671-the-DOC-Act.pdf.
[8] https://www.aamc.org/news-insights/press-releases/new-aamc-report-confirms-growing-physician-shortage.
[9] https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6609129/.

medical school, but due to debt and expected income, decided to switch to a higher-paying specialty by the end of their fourth year.[10]

Furthermore, rising medical school debt disproportionately impacts students who are lower income and deters them from attending medical school. Surveys by the AAMC support this conclusion and found that people from historically marginalized and minoritized communities cited cost of attendance as the top deterrent to applying to medical school.[11] Since students from historically marginalized and minoritized communities are more likely to enter primary care and work in underserved communities than their White counterparts, the immense debt burden of medical school has not only precluded diversity among physicians, but it has also diminished improvement in patient care in underserved communities.[12]

Likewise, students from marginalized and minoritized communities who do attend medical school tend to graduate with larger debt burdens than their Asian-American and White counterparts. According to the American Association of Colleges of Osteopathic Medicine (AACOM), 91 percent of Black/African American entering students, and 88 percent of Hispanic/Latino entering students expect to graduate with medical education debt. Conversely only 77 percent of Asian-American entering students and 86 percent of White entering students expect to graduate with debt.[13] These trends have been supported by other studies that report higher debt burden for Black/African American medical students compared to other races/ethnicities. For example, an additional study found that 77.3 percent of Black/African American medical students anticipated debt in excess of $150,000 upon graduation, versus White (65.1 percent), Hispanic/Latino (57.2 percent), and Asian students (50.2 percent).[14] With recent health reforms seeking to eliminate health care disparities amongst the U.S. population, increasing the number of historically underrepresented physicians is important to ensure a health care workforce that is more reflective of the general population.

Furthermore, medical student debt is negatively associated with trainee well-being. Resident physicians usually are expected to work for about 80 hours per week for about $60,000 per year before taxes are deducted.[15] This means that during residency, which can last up to seven years, these physicians earn about $14 per hour pretax, which leads to burnout.[16] This monetary devaluation of a resident's contribution to the medical team is only compounded by the amount of debt that they incur to become physicians. Additionally, each $50,000 increase in medical school loan debt is associated with increased psychosocial stressors.[17] Students with higher aggregate amounts of medical student loan debt were more likely to express high levels of stress, delay getting married, and report that they would choose to not become a physician again, if given the opportunity.[18]

Therefore, since physicians are so vital to the health of our nation, it is essential that we create student loan repayment plans that acknowledge their contributions to keeping our country healthy and that incentivize individuals from all backgrounds and income levels to pursue a medical

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[10] https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6609129/.
[11] https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3760863/.
[12] https://www.researchgate.net/publication/324523861_Doctors_of_debt_Cutting_or_capping_the_Public_Service_Loan_Forgiveness_Program_PSLF_hurts_physicians_in_training.
[13] https://www.aacom.org/docs/default-source/data-and-trends/aacom-2019-2020-academic-year-entering-student-survey-summary-report.pdf?sfvrsn=f2380f97_4.
[14] https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0074693.
[15] https://www.aamc.org/data-reports/students-residents/report/aamc-survey-resident/fellow-stipends-and-benefits.
[16] https://www.researchgate.net/publication/324523861_Doctors_of_debt_Cutting_or_capping_the_Public_Service_Loan_Forgiveness_Program_PSLF_hurts_physicians_in_training.
[17] https://www.tandfonline.com/doi/full/10.3402/meo.v19.25603.
[18] https://www.tandfonline.com/doi/full/10.3402/meo.v19.25603.

education. However, the formula that the Department has proposed will render little to no benefit for resident physicians. A weighted average for discretionary income-based payments that favors undergraduate loans will essentially exclude resident physicians from any benefits this plan may render due to the amount of graduate loans that most medical students must take out to pay for medical school. As such, one way to begin aiding resident physicians is to ensure that their student loan repayment amounts are based on no more than five percent of their discretionary income in the same way as their counterparts who only accrued undergraduate student loans.

The AMA supports increasing the amount of income exempted from the calculation of the borrower's payment amount to 225 percent of the federal poverty guideline. However, due to resident physicians' unique educational and training requirements, physicians should be granted the same, or similar, benefits as those with only undergraduate loans. Therefore, the amount of exempted income for residents should be increased, or additional support systems, such as student loan savings accounts that will allow for pre-tax dollars to be used to pay for student loans, should be provided for resident physicians.

The Department has proposed a definition of "discretionary income" that would increase the discretionary income threshold, exempting a greater portion of borrowers' incomes from the payment amount for direct loans under the REPAYE plan. Under the proposed rule, discretionary income would be defined as the borrower's adjusted gross income (AGI) minus 225 percent of the federal poverty guidelines for the borrower's family size. The Department has also proposed to clarify that, for all income driven repayment (IDR) plans, "income" means the borrower's AGI and, if applicable, the spouse's income, as reported to the Internal Revenue Service (IRS).[19]

Currently under a REPAYE plan a typical first-year resident physician would pay about $340 a month.

Example of a PGY-1 Resident in Revised Pay As You Earn (REPAYE)	
Monthly Adjusted Gross Income (1)	$5,070
(minus) 150% of Poverty Line (2)	- $1,700
Discretionary Income (3)	= $3,370
(multiplied by) (4)	x .10%
Monthly REPAYE Payment (5)	= $340

1. Based on AAMC estimate for the 2023 first post-D-year median stipend ($60,800).
2. Based on the 2022 federal poverty guideline for a family size of one in the 48 contiguous states.
3. Discretionary income is the difference between income and 150% of the poverty guideline for borrower's state of residence. (This example is based on a family size of one).
4. Based on 2015 federal regulations.
5. Rounded to the nearest $10.

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However, if the provisions in the new rule are implemented, the payment amounts will be changed since 225 percent will be the new applicable poverty guideline. In 2020, 225 percent of the federal poverty level was about $28,700 for a family of one.[21] In 2023 this would equate to about $33,000 for a family of one.

As such, under the new poverty measure the payments for first-year residents would change:

[19] https://www.federalregister.gov/documents/2023/01/11/2022-28605/improving-income-driven-repayment-for-the-william-d-ford-federal-direct-loan-program.
[20] https://students-residents.aamc.org/financial-aid-resources/revised-pay-you-earn-repaye.
[21] https://aspe.hhs.gov/sites/default/files/private/aspe-files/107166/2020-percentage-poverty-tool.pdf.

Monthly AGI = $5,070
(minus) 225% of Poverty Line = $2,750
Discretionary Income = $2,330
Multiplied by = .10%
Monthly REPAYE Payment = $232

Under the new plan, the average resident would pay about $232 a month. Though the average payment in this example would decrease by $108, the amount that still would need to be paid is significant. If a first year-resident is required to pay about $232 a month, that would equate to them using at least four percent of their AGI on student loans. Though this may not seem noteworthy, when residents are earning low salaries, especially when compared to the debt they hold, the hours they work, and the additional private loans they must often take to pay for the residency Match process and residency relocation, this is a substantial amount of money.

Moreover, the Department has acknowledged that its proposed restructuring of student loan repayment plans will disproportionately benefit those individuals who only borrow small amounts of money for their undergraduate education versus those with graduate debt.

	Repayment for Undergraduate Debt (per $10,000 borrowed)	**Repayment for Graduate Debt (per $10,000 borrowed)** [22]
Standard 10- year Plan	$11,844	$11,995
Current REPAYE Plan	$10,956	$12,506
Proposed REPAYE Plan	$6,121	$11,645

Per the chart the Department's proposed restructuring significantly favors those with only undergraduate loans, which inherently devalues professions, such as physicians, that require graduate level education. This is not a precedent that the Department should set, especially considering the vital role that physicians play within our country, and the detrimental role that student loan debt is playing in our current and projected physician shortage. Therefore, the repayment of physicians' graduate loans should be equal to the amount that is required to be repaid for undergraduate loans.

The AMA supports allowing borrowers who are married, and filing their taxes separately, to exclude their spouse's income from their household income and family size for purposes of determining student loan repayments.

Currently, for Pay As You Earn (PAYE) and Income-Based Repayment (IBR), the AGI of married borrowers filing taxes separately includes only the borrower's income. However, for REPAYE, it includes the AGI of the borrower and the spouse, unless the borrower certifies that they are separated from, or unable to access, the spouse's income. As such, the proposed regulations would establish a new definition of "income-driven repayment plans." The proposed definition would specify that an IDR plan is one in which the monthly payment amount is primarily based on the borrower's income. Accordingly, the Department is proposing to change the terms of the REPAYE plan to exclude spousal income for borrowers who are married and filing taxes separately.[23] This proposed change would make including or

[22] https://www.federalregister.gov/documents/2023/01/11/2022-28605/improving-income-driven-repayment-for-the-william-d-ford-federal-direct-loan-program.
[23] https://www.federalregister.gov/d/2022-28605/p-120.

excluding married borrowers' incomes consistent across all IDR plans. Moreover, a spouse's income would only be included in student loan repayment determinations when the spouses file a joint tax return.

Having one standard across all student loan repayment plans will decrease confusion and will allow the borrower to focus on what repayment plan is best for them based solely on their own income. Additionally, this will help ensure that spouses do not feel penalized for marrying a resident physician who likely has a low income and $200,000 or more in student loans. Moreover, resident physicians could see a major deduction in their monthly student loan payments if they do not have to include their spouses' income in their student loan repayment calculations. These lower payments could potentially improve the financial situation of their families and make the REPAYE plan a more viable option for individuals with medical school debt.

The AMA supports providing shorter repayment periods and earlier forgiveness for borrowers with low original loan principal balances and believes that the Department should provide these same benefits to physicians regardless of loan amount.

The Department is proposing to add a provision that grants forgiveness starting at 10 years for borrowers whose original total Direct Loan principal balance was less than or equal to $12,000, with the time to forgiveness increasing by one year for each additional $1,000 added to the original principal balance above $12,000 under the REPAYE plan. The overall caps of 20 years (for those with only undergraduate loans) or 25 years (for those with graduate loans) would still apply. The result would be that a borrower with $22,000 in loans for an undergraduate program or $27,000 in loans for a graduate program would not benefit from the shortened time to forgiveness.[24] Moreover, the Department is also proposing to restrict future enrollment in the PAYE and Income Contingent Repayment (ICR) plans to student borrowers who were enrolled in that plan on the effective date of the regulations and who stay enrolled in that plan. The Department believes that the more generous repayment benefits proposed under this plan would outweigh the tradeoffs of a slightly longer time to forgiveness.

The AMA appreciates that individuals with low student loan balances will see a benefit under the proposed changes. However, the fact that individuals with $27,000 or more in graduate student loans will not see a benefit means that essentially no medical students will receive assistance under the proposed rule. As noted above, the average student loan debt that a borrower accrues during medical school is $200,000. As the Department looks to make much needed changes to student loan repayment plans, it should take into account the income, employer, and the profession of the borrower. Physicians take on a massive amount of debt so that they can enter a profession where they ultimately play a major role in determining the health and security of our nation. Especially during the many years of post-medical school training that physicians must undertake, physicians should be provided with some relief from their student loans so that the profession remains a viable option for all individuals that want to practice medicine. Moreover, the Department should not restrict future enrollment in the PAYE and ICR plans. If these plans will be of greater benefit to some student borrowers, they should still be an option for repayment.

The AMA strongly supports the proposal to not charge any remaining accrued interest to a borrower's account after the borrower makes a qualifying payment each month. However, the AMA would encourage the Department to apply this provision to all repayment plans, not just the REPAYE plan. Moreover, we would encourage the Department to allow 100 percent tax deductibility on the interest that a borrower does pay on their student loans.

[24] https://www.federalregister.gov/d/2022-28605/p-220.

Under the new provisions in the REPAYE plan, the Department has proposed to not charge any remaining accrued interest to a borrower's account each month after applying a borrower's payment.[25] According to the Department, "among borrowers who first entered college in the 2003-04 academic year, more than one-third (37 percent) had a higher balance in 2015 than what they originally borrowed. Of those who owed more than they originally borrowed, the median borrower owed 119 percent of their original balance."[26] If we take the median precent owed and apply it to the average medical school debt, the average 2008 medical student graduate owed roughly $238,000 in 2015. This amount of student loans likely seems insurmountable to pay off especially for a resident physician making $60,000 a year. The inability to decrease the principal balance of a loan due to interest accrual is one of the many reason that individuals feel that they can never pay off their student loans. The Department acknowledging this and working to fix the problem is a very positive step in increasing the financial wellness of our nation.

The AMA supports the Department creating additional forbearance and deferment categories and encourages the Department to include residency and fellowship training as a deferment or forbearance category that does not have accrued interest and receives credit towards loan forgiveness.

The Department is proposing to include additional deferment and forbearance categories that count towards forgiveness, while ensuring that borrowers continue to make payments when they are able. For periods of deferment or forbearance for which borrowers do not automatically receive credit, borrowers could make additional payments through a new provision that would allow them to get credit for those months. The proposed regulations would also allow borrowers to maintain credit toward forgiveness for payments made prior to consolidating their loans.[27]

Currently, medical residents are entitled to Mandatory Medical Residency Forbearance.[28] This forbearance is granted in one-year increments, with the resident recertifying that they are still in a residency program each year. However, interest still accumulates during this forbearance period. As such, low paid residents with an average debt of $200,000 make decisions based on financial hardships with little knowledge of the long-term consequences. As a result, at the end of their residency, that can last seven years, residents can leave with a student debt load that is over $300,000 and seems insurmountable.

[25] https://www.federalregister.gov/d/2022-28605/p-95.
[26] https://www.federalregister.gov/d/2022-28605/p-239.
[27] https://www.federalregister.gov/d/2022-28605/p-28.
[28] https://studentaid.gov/sites/default/files/MedicalorDentalInternshipResidencyNationalGuardandDoDStudentLoanRepayment.pdf.

Sample Repayment: $200,000 in Federal Direct Loans

Description	Repayment Years	Monthly Payment	Interest Cost	Total Repayment
PAYE during residency and after with $200,000 starting salary	Residency: 3	$330-$370	$175,000	$375,000
	Post-residency: 16	$1,600-$2,300		
REPAYE during residency and after with $200,000 starting salary	Residency: 3	$330-$370	$151,000	$351,000
	Post-residency: 15	$1,600-$2,300		
REPAYE during residency and after with $275,000 starting salary	Residency: 4	$330-$400	$114,000	$314,000
	Post-residency: 10	$2,400-$2,900		
Forbearance during residency, then Standard	Residency: 3	$0	$125,000	$325,000
	Post-residency: 10	$2,700		
	Residency: 7	$0	$189,000	$389,000
	Post-residency: 10	$3,200		
REPAYE during residency and after with $170,000 starting salary and PSLF	Residency: 3	$330-$370	$134,000	$134,000, then ≈ $183,000 forgiven
	Post-residency: 7	$1,400-$1,500		

Notes: PAYE is Pay As You Earn. REPAYE is Revised Pay As You Earn. PSLF is the federal Public Service Loan Forgiveness program. All figures are approximate, rounded for clarity, and estimated for a 2023 graduate. Full assumptions for each scenario available on request.

2022 first post-MD year median stipend: $60,373 (preliminary data)

Federal PAYE/REPAYE monthly loan payment based on above stipend: $333 [29]

All residents, regardless of whether they are working in a public, private, or nonprofit setting are working for low wages to better public health. As such, all residency and fellowship training should be a forbearance or deferment period that does not accrue interest and that still counts towards student loan forgiveness.

The AMA supports eliminating burdensome and confusing recertification regulations for borrowers using IDR plans.

Due to the concern that the recertification process is confusing for borrowers, challenging for the Department to administer, and prone to potential errors that could cause a borrower's removal from IDR plans, the Department is proposing to simplify the IDR application and annual recertification process. Due to recent statutory changes regarding disclosure of tax information, when the Department has the borrower's approval, it is proposing to rely on tax data to provide a borrower with a monthly payment amount and offer the borrower an opportunity to request a different payment amount if it is not reflective of the borrower's current income or family size.[30]

The AMA supports the Department's decision to simplify the recertification process. However, **the AMA encourages the Department to provide additional education and information to ensure that borrowers understand their loan repayment plans, especially if the Department automatically changes the individual's repayment plan or repayment amount.**

While the increase in medical school cost is a significant factor in rising medical student debt, it is also important to consider the relative lack of financial education among medical students. A study of first- and fourth-year medical students found low levels of financial literacy and a lack of preparedness for managing personal finances, including strategies for effective saving, investing, and practice

[29] https://store.aamc.org/downloadable/download/sample/sample_id/575/.
[30] https://www.federalregister.gov/d/2022-28605/p-31.

management.[31] Equally concerning, the study's authors describe the lack of improvement in financial literacy between entering and graduating medical students, regardless of whether their medical school offered such education. The study concludes that reform efforts in undergraduate medical education by institutions and policymakers should encompass improvements to existing curricula to fill this gap in medical students' knowledge and ensure that financial counseling is tailored to meet students' needs and occurs before key personal finance decisions are made. In line with these findings, it is important that if the Department automatically changes aspects of a borrower's repayment plan, the borrower is made aware of these changes and can react to them by making the appropriate alterations if needed or desired. Individuals may want to maintain a higher payment to pay down loans more quickly or may want to switch to new repayment plans based on the changes the Department is currently making, as such, providing information to each borrower, and ensuring that loan servicers provide accurate and unbiased counseling, is extremely important and should be ensured by the Department.

We appreciate the opportunity to provide information and urge the Department to help ease the pathway to loan repayment and forgiveness for physician borrowers. If you have any questions, please contact Margaret Garikes, Vice President for Federal Affairs, at margaret.garikes@ama-assn.org, or by calling 202-789-7409.

Sincerely,

James L. Madara, MD

[31] https://mededpublish.org/articles/6-35.