



## RESIDENT PRESIDENT'S MESSAGE

### Health Care Reform and Its Surprising Impact on Student Loans

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Health care reform legislation is now law, and we are left to wonder what the impact will be over the coming decades. Emergency medicine and every facet of the health care system will feel the ripple effects. Interestingly, there are changes that were rolled in to the health care legislation that are beyond the scope of medicine but will still have an impact on resident quality of life and pocketbooks.

The official bill that passed the House of Representatives and the Senate is called the Patient Protection and Affordable Care Act. This bill originated in a Senate committee in 2009 and was passed by the upper chamber of The Congress in a dramatic and rare Christmas Eve vote. The house had passed a separate health care bill called the Affordable Health Care for America Act in November of 2009.<sup>1</sup> Democrats had originally planned to merge the two bills in conference committee, sending a new bill back for a vote in both chambers of Congress. With the election of Republican Scott Brown as the new Senator from Massachusetts, the Senate Democrats lost their 60-vote supermajority that they required to prevent a Republican filibuster. As a result of this seismic shift in Congress, the House Speaker, Nancy Pelosi, made a calculated decision to pass the Senate bill as is, but make amendments through a separate reconciliation process.

As we all know by now, the House passed the Senate bill (the Patient Protection and Affordable Care Act) and went on to pass a reconciliation bill entitled the Health Care and Education Reconciliation Act of 2010. This reconciliation bill had a rider attached which is very similar to a House bill called the Student Aid and Fiscal Responsibility Act of 2009 (also known as SAFRA). This bill was passed by the House of Representatives in 2009 by a vote of 253-171, but had not been passed by the Senate until it was considered in the health care reconciliation bill.<sup>2</sup>

The cornerstone of the SAFRA change is an end to private companies providing federally guaranteed loans. Most of the changes are for undergraduate loans, but SAFRA will inevitably impact medical student lending. Starting almost immediately, students and universities will borrow directly from the U.S. Department of Education as opposed to companies like Sallie Mae.<sup>3</sup> Eliminating this program is estimated to save the government \$61 billion (because it will no longer be paying private lenders to administer federally backed student loans).

Almost half of that savings will be given back to the Pell Grant program which provides money to individuals from low income families. It raises the annual Pell Grant to \$5,500 (from \$4,050 currently) and ties yearly increases to changes in the consumer price index. Pell Grants do not require repayment but are only eligible to undergraduates less than 24 years old. Additionally, the bill makes changes to repayment plans for federally backed student loans. Recent college graduates with student loan debt have payments

that are currently capped at 15% of discretionary income. SAFRA lowers the cap to 10%.<sup>4</sup>

These changes are significant and will have an impact on the year-to-year borrowing of medical students. It will be helpful for those with significant undergraduate debt and for future physicians currently in college who will benefit from expanded Pell Grant funding. By borrowing directly from the U.S. Department of Education as opposed to private lenders, the servicer of federally backed loans (such as Pell Grants, Perkins and Stafford loans) will, as of July 1st, be the Federal Government, and not private for-profit corporations such as Sallie Mae. Though not explicitly part of the bill, it is possible that this significant change away from federally subsidized private lending may allow medical students and residents access to lower interest rates and fees.

Despite the progress achieved in recent months toward an improved landscape for student lending, more can, and should, be done. Many argue for easier deferment for residents, as monthly salaries for physicians in training is sometimes equal to the monthly payment on their loans. Additionally, interest rates on Federal Stafford loans are much higher than current market rates for a comparable 15 year home mortgage.

One of the most anxiety-provoking aspects of our training is the cloud of debt that looms over us. AAEM/RSA will continue to advocate both locally and nationally to improve access to low interest loans with easier deferment and repayment options while still brainstorming creative ways to lessen student debt. We share this challenge with all trainees in every field of medicine.

It has been a pleasure to serve as president of AAEM/RSA over the past year. I consider myself incredibly lucky to have had this opportunity to work on such important issues, meet some of the best and brightest young minds in the country, and fight for what is right in emergency medicine. Together, we have seen AAEM/RSA grow larger and stronger. As the new leadership team rises to the occasion of a new academic year, we have an executive committee with years of experience in the organization and an at-large board of fresh and energetic residents. I look forward to many more years of advocating and educating on all that is important to residents and emergency physicians.

#### References

1. <<http://www.cnn.com/2009/POLITICS/11/07/health.care/>>.
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3. <<http://www.washingtonpost.com/wp-dyn/content/article/2010/03/25/AR2010032503578.html>>.
4. <<http://voices.washingtonpost.com/44/2010/03/obama-signs-higher-education-m.html?hpid=topnews>>.