Opinion and Special Articles: Loan forgiveness options for young neurologists

Current landscape and practice implications

Benjamin P. George,
MD, MPH
E. Ray Dorsey, MD,
MBA
Justin A. Grischkan, BA

Correspondence to
Dr. George:
Benjamin_George@
URMC.rochester.edu

ABSTRACT

Increasing education debt has led to the availability of a variety of loan forgiveness options including the Department of Education's Public Service Loan Forgiveness (PSLF) program. This article discusses the current landscape of loan forgiveness options including trends in PSLF for rising neurology trainees, and implications for choices in specialization, employment, practice location, and the pursuit of an academic career. We further provide guidance on how to navigate the various loan forgiveness options that neurology residents and fellows may consider. *Neurology*® 2017;88:e153–e156

GLOSSARY

PSLF = Public Service Loan Forgiveness.

The cost of a medical education continues to rise precipitously, with total US medical education debt nearing \$2 billion in recent years.^{e1} In 2015, about 50% of all indebted US medical graduates finished school with at least \$200,000 in debt and approximately 1 in 10 had loan obligations exceeding \$300,000.^{e2} As debt and anticipated income have the potential to shape career choices for future neurologists,^{1,2} the availability of loan forgiveness options may become a major factor for some graduates. In this article, we describe 4 loan forgiveness options, their characteristics (table 1), and how they may affect choices in specialization (or subspecialization), employment (vs private practice), geographic location, and the pursuit of a career in academics.

DEPARTMENT OF EDUCATION'S PUBLIC SERVICE LOAN FORGIVENESS (PSLF)

The PSLF program was a recent policy response to growing educational debt, and while it does not specifically target doctors, it has garnered substantial interest among medical graduates. PSLF was established in the College Cost Reduction and Access Act of 2007, and provides complete, tax-free loan forgiveness after making 120 qualifying monthly payments (10 years if made consecutively), including payments made during residency, while employed at a public or not-for-profit medical institution.^{e3} Under the PSLF program, qualifying monthly payments include those made under repayment plans that are based on a fixed percentage of currently earned salary (i.e., income-driven

repayment), which allows borrowers to minimize loan repayments and maximize forgiveness. For this reason, PSLF quickly became appealing to new residents, who generally are paid low incomes throughout training. For example, a neurologist with 4 years of postgraduate training and average medical education debt (approximately \$180,000), utilizing an income-driven plan to repay 10% of their monthly adjusted gross income, will repay \$122,000 after 10 years of repayment and be granted \$164,000 in loan forgiveness under PSLF (accounting for accrued interest in addition to loan principal over a 10-year period) (figure e-1 at Neurology.org). In addition, those with very high levels of debt using the PSLF program will receive substantial financial benefit with unlimited forgiveness following 120 monthly payments (figure e-2).

The combination of PSLF and income-driven repayment has generated unintended consequences,³ whereby well-paid professionals, including physicians and lawyers, receive large forgiveness amounts. This has created controversy surrounding the program that some refer to as the “doctors’ loophole,”⁴ and has the potential to cost the federal government hundreds of millions of dollars annually in loan forgiveness for physicians from all specialties.⁵ Therefore, before the program’s first payout set to occur in 2017, policymakers have proposed a cap on the amount an individual receives under PSLF,^{e4} which would substantially decrease the utility of the program for future medical graduates.

Supplemental data
at Neurology.org

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Table 1 Characteristics of 4 loan forgiveness options

Characteristics	Loan forgiveness options			
	Public Service Loan Forgiveness	NIH loan forgiveness program	Other federal or state loan forgiveness programs ^a	Hospital/clinic loan forgiveness ^b
Loan forgiveness amounts	Unlimited forgiveness amount	Annual limit up to \$35,000 in forgiveness per year	Limitations on maximum awards (variable based on program)	Amounts are variable based on contract negotiations and employer offers
Qualifying loans	Federal direct loans; subject to fixed interest rates (i.e., unable to refinance at lower market rates)	Any educational loans with options for consolidation and refinancing ^c	Any educational loans with options for consolidation and refinancing	Any educational loans with options for consolidation and refinancing
Service commitment	Minimum of 120 payments during qualifying employment (i.e., 10 years of payments)	At least 2 years of participation in research activities for a minimum of 20 hours/week	Usually multiple year clinical commitments with maximum and minimum limitations on duration	Subject to variability based on contract
		No limit to renewal applications	Subject to variability based on program	
Time to debt freedom	Minimum 10 years of repayment until debt-free	Ability to repay loans in under 10 years if financially able	Ability to repay loans in under 10 years if financially able	Ability to repay loans in under 10 years if financially able
Employment restrictions	Nonprofit or public medical institutions, including academic medical centers	Conduct research supported by a domestic, nonprofit institution, or federal agency	Subject to variability based on program	Employment options in the private sector
		Intramural awards limited to NIH employees		
Geographic limitations	No substantial limitations	No substantial limitations (unless utilizing the intramural program)	Substantial geographic limitations based on program location	No substantial limitations
Application, eligibility, entry	Apply at any time	Must submit initial application and renew annually or biannually	Variable application cycles	Free market job application and competition
	All nonprofit employees are eligible, requires employment verification	Must have debt equaling at least 20% of annual income	Eligibility based on service needs	
	Noncompetitive entry	Competitive entry	Can have competitive entry	
Taxation	Federal and state tax exemption	Subject to state and federal taxation	Variable based on program, some are tax exempt	Subject to state and federal taxation
Other benefits	May be utilized in combination with income-driven repayment during residency/fellowship	Ability to leverage research work hours to achieve loan forgiveness	Ability to leverage clinical work for the underserved to achieve loan forgiveness	Private sector opportunities with higher pay, enhancing ability to repay loans
Other limitations	Uncertain future of loan forgiveness based on policy proposals and undetermined political agendas	NIH program stipulates that participants cannot obtain private/for-profit funding or salary support	Few opportunities for neurologists	Subject to rising costs and overhead for those in private practice
			Availability and funding may be dependent on state and federal budgets	

^a As of 2016, there were 68 federal or state programs outlined by the Association of American Medical Colleges including the US Public Health Services, Uniformed Services, Indian Health Service, and several state loan repayment and scholarship opportunities for loan forgiveness.^{e9}

^b The American Academy of Neurology Career Center job search lists job opportunities at nonprofit and for-profit health centers, outlining those offering loan forgiveness/repayment packages.^{e10}

^c NIH loan forgiveness program uses a loan priority order to determine the sequence by which loans are repaid.

Despite its threatened existence, intent to use PSLF has grown ~18% per year since 2010.⁵ In 2014, over one-quarter of all allopathic medical graduates pursuing a career in neurology planned to use PSLF.⁵ The most recent data from the Association of American Medical Colleges demonstrate that over 30% of all 2016 medical graduates intend to use PSLF.^{e5} Rates are also high among osteopathic medical students, with over 50% of DO graduates from the class of 2015 planning to use the program.^{e6} While the program's future remains uncertain in the wake of new political agendas, the legislature typically makes changes to federal student aid programs applicable only to new borrowers, and therefore, current and former

borrowers are unlikely to be affected by changes to PSLF.⁵

NIH LOAN REPAYMENT PROGRAM Academic researchers traditionally forgo income that would otherwise be available through clinical activities or high-paying industry positions, and therefore, are subject to greater difficulty in repaying their loans. The NIH Loan Repayment Program provides an opportunity for young investigators to receive forgiveness and further incentivizes research efforts for those in debt by repaying up to \$35,000 annually of a researcher's qualified educational debt in return for a commitment to engage in NIH mission-relevant research.^{e7} Participants must have debt representing at least 20%

of their annual income, and their research efforts must account for 20 hours per week at minimum. The program also stipulates that research activities be supported by a domestic nonprofit foundation, university, professional association or other nonprofit institution, or US government agency, and further requires the individual to forgo any funding support or salary from for-profit enterprises.

Historically, the Loan Repayment Program sponsored by the NIH provides millions of dollars per year to researchers for loan forgiveness.^{e8} However, over the past 8 years, total program funding has declined from \$95.1 million in 2008 to \$72.9 million in 2015—a 23% drop after adjustment for inflation (table e-1). This reduction may be due in part to declining interest in the program as the applicant pool has decreased by approximately 20% over the same time period, while application success rates remain stable at 50%.

The NIH Loan Repayment Program may be of particular interest to neurologists, whose entire workforce dedicates approximately 10% of their time to research efforts.⁶ Indeed, each year over \$3 million of NIH Loan Repayment funds are distributed through the National Institute for Neurologic Disease and Stroke. However, this program may find unexpected competition in the Department of Education's PSLF as academic researchers—who most often work for not-for-profit medical centers—may take advantage of PSLF, which has few stipulations and requires little to no sacrifice on the part of the borrower.

OTHER FEDERAL AND STATE PROGRAMS Other federal and state-sponsored programs exist to assist with loan repayment; however, most options are limited to those working in primary care or mental health,^{e9} and therefore would not be relevant to neurologists. Few federal and state debt forgiveness programs are open to a variety of medical specialties, and these have a focus on repayment in return for service in rural underserved areas, to incentivize work with American Indian and Alaskan Native communities, or in the US Armed Forces. These programs, tied to strict service obligations, are designed to attract physicians to certain geographic locations or communities where a broad range of services are lacking. Again, these programs may be subject to competition with PSLF given its less stringent service obligations that do not necessarily require a physician to change location.

IMPLICATIONS FOR HOSPITAL AND GROUP PRACTICES Hospitals and group practices in need of neurologists may offer loan forgiveness packages to potential employees to entice work within their practice or institution. Offering debt repayment

within physician contracts, either in return for service or as a sign-on bonus, has become increasingly common.⁷ However, private practices and for-profit hospitals have an additional layer of competition since the introduction of Public Service Loan Forgiveness for not-for-profit employees. This policy has the potential to disrupt negotiations, and private practices may need to offer more competitive options to maintain the interest of young physicians.

Self-employment and private practice participation has declined over the last decade. The percentage of physicians working in practices owned by a hospital or integrated delivery system increased from 24% in 2004 to 49% in 2011, with younger physicians more likely to opt for employment.⁸ This shift has been attributed to the rising costs and overhead associated with private practice⁹ and higher reimbursement for hospital-based care.¹⁰ However, insurmountable medical education debt may now amplify reasons to consider hospital employment and an academic career, as larger institutions with generous government subsidies have greater resources to offer debt repayment options. Approximately 3 in 4 US hospitals have not-for-profit tax status, and will be able to offer employment eligibility under PSLF. Also, the PSLF program offers tax exemption for unlimited forgiveness amounts (table 1), while debt forgiven through other means would be taxed as ordinary income, and therefore less valuable. Medical education debt may have discouraged neurology trainees from pursuing academic opportunities over 10 years ago¹; however, the landscape of loan forgiveness options has changed substantially, which may have implications for practice choices among young neurologists.

DISCUSSION As educational debt continues to rise, new and innovative programs have been implemented to provide relief. The Department of Education's PSLF is one such program that has gained substantial momentum among all physicians, including neurologists. This program, which offers unlimited tax-free forgiveness, has the potential to disrupt the structure of the physician workforce by affecting career choices regarding specialization, employment, practice location, and the pursuit of academic and research careers. PSLF and other loan forgiveness options (table 1) stand to provide substantial debt relief to physicians in the near future, and therefore, young neurologists and educators should become acquainted with these opportunities and understand their relative benefits and limitations.

AUTHOR CONTRIBUTIONS

Dr. George had full access to all of the data in the study and takes responsibility for the integrity of the data and accuracy of the data analysis. Study concept and design: Dr. George. Acquisition of data: Dr. George

and J.A. Grischkan. Analysis and interpretation of data: Drs. George and Dorsey and J.A. Grischkan. Critical revision of the manuscript for important intellectual content: Drs. George and Dorsey and J.A. Grischkan. Study supervision or coordination: Dr. George.

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