

How Congress can save resident physicians \$12,000 a year

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Andis Robeznieks

Senior News Writer

What's the news: A Senate companion of the bipartisan Resident Education Deferred Interest (REDI) Act was recently introduced. It would allow borrowers to qualify for interest-free deferment on their student loans while serving in a medical or dental internship or residency program.

The REDI Act, S.3658 /H.R. 4122, is supported by the AMA.

“The AMA is dedicated to identifying long-term strategies to mitigate the debt burden of medical students and believes that the REDI Act is a positive step towards ensuring the financial solvency and well-being of our young physicians and dentists,” AMA Executive Vice President and CEO James L. Madara, MD, wrote in a letter to the bill’s sponsors, Sens. Jacky Rosen, D-Nev., and John Boozman, R-Ark.

“The AMA commends your ongoing commitment to this important issue, and we look forward to working with you to further advance this legislation in the 117th Congress,” Dr. Madara’s letter adds.

The bill closely mirrors AMA policy that calls for the AMA to “strongly advocate for the passage of legislation to allow medical students, residents and fellows who have education loans to qualify for interest-free deferment on their student loans while serving in a medical internship, residency or fellowship program.”

The legislation has been referred to the Health, Education, Labor and Pensions Committee in the Senate and the Education and Labor Committee in the House of Representatives.

Find out what to do when federal student-loan forgiveness goes wrong.

Why it's important: Almost three-quarters (73%) of U.S. medical students graduated with a median debt of \$200,000 in 2019, Dr. Madara wrote, adding that “the rising cost of medical school is showing no sign of abating.”

The average cost for first-year students attending public medical schools grew by 10.3% in 2020–2021 from the previous year, according to an Association of American Medical Colleges (AAMC) study cited in the letter.

“The enormous debt load medical students face is further compounded during their low-paying residency and fellowship training (which can last up to eight years post-graduation), especially for residents who are unable to begin repaying student debt immediately,” Dr. Madara wrote.

Even if doctors qualify to have their payments suspended during residency through deferment or forbearance processes, their loans continue to accrue interest that is added to their already staggeringly high student-loan balance.

“This cycle can lead to tens of thousands of dollars of additional debt due to interest accrual,” Dr. Madara wrote. “The REDI Act would help young physicians and dentists in residency save thousands of dollars in interest and begin to help make medical school a more financially viable career option.”

The typical resident being charged the average Federal Direct Unsubsidized Loan rate of 6% for a 2020 medical school graduate owes more than \$12,000 annually in interest alone, according to “Loan Interest Deferment to Improve Access to Medical Education,” a *Health Affairs* blog post written by two Vanderbilt University medical students.

They added that interest payments may consume 20% to 25% of the income for a resident earning the median stipend of a four-year residency, which was \$61,783 last year, according the AAMC.

Dr. Madara noted that reducing medical student indebtedness would also promote diversity within medicine and may contribute to a reduction in the shortage of physicians. He pointed to an AAMC survey that found historically excluded racial and ethnic groups cited cost as the top deterrent to applying to medical school.

Diversity is critical to achieving “a health care workforce that is more reflective of the general population,” Dr. Madara wrote.

Learn more: Prepare now with the AMA so your debt load as a medical student or resident physician doesn’t affect your financial future. Get advice on how to handle medical school student loan debt, manage personal finances and start your medical career on strong financial footing.

Also, check out this great to-do list for young physicians to get their finances on track.