

From the publishers of the *New England Journal of Medicine*

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## With Debt on the Rise, Students and Schools Face an Uphill Battle

The world seemed full of possibilities for Adina K. Knight, M.D. After medical school and a fellowship at Mount Sinai School of Medicine, Knight, an allergist, felt drawn to research.

But then, an all-too-familiar reality set in: she found she suddenly had bills to pay. Big bills. So instead, she took a more lucrative job treating patients.

"I would have really liked doing research in a lab," said Knight, now at the Alabama Allergy & Asthma Center. "But I needed to make money so I could pay stuff off."

In Knight's case, and that of thousands of other young physicians, that means the debt that accompanies medical education. Even though Knight considers herself lucky — her parents paid her living expenses during medical school, and she lives in a relatively inexpensive area — she is still watching her budget nearly a decade after she graduated.

"I have to be careful, even with the basics," she said. "I try not to go out to dinner too much. It can end up being \$100 a pop, which is a good chunk to put toward your loans."

Medical student debt is threatening to become untenable for young physicians. Medical school graduates in 2006 found they owed about \$130,000 on average when their educational bills came due. This figure is daunting even for those earning the estimated mean physician income of \$216,000, and it can take years for younger doctors to reach that income level. Many primary care physicians may never reach it, as they earn an average of about 30 percent less than the mean.

## Indebtedness Rates Growing for Both Public and Private Medical Schools: The Impact of the Physician Workforce Shortage

A 2004 AAMC report on student debt and education costs, updated last fall, indicated that indebtedness rates are growing at an average of 6.9 percent for public medical school graduates and 5.9 percent for their private school counterparts. The 2004 report projected annual growth of owed monies at 8.3 percent and 8.9 percent for public and private schools, respectively. The good news is that these rates were lower than anticipated, but the bad news is that these increases still far outpace the estimated 3 percent annual increase in physician income.

In a worst-case scenario, the 2007 report update estimated that in 2033, physicians who opt for the standard 10-year loan repayment plan would see half of their after-tax earnings going to loan repayment. This could deter promising students from considering medical school, especially those with lower-income backgrounds.

"In the long run, schools will have a hard time filling their classes with good students if graduates can't repay their debts without undue hardship," said AAMC Senior Associate Vice President H. Paul Jolly, Ph.D., who led the study. "Right now, people with parental incomes in the top 20 percent of U.S. families are making up 55 percent of medical school students. If present trends continue, this imbalance will only worsen."

The report found more sobering news for students who hope to gain a financial advantage by matriculating to medical schools in their home state. With public medical school tuition and debt catching up

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with the private schools, qualified students may no longer benefit from less expensive in-state tuition that these public schools traditionally have offered. According to the AAMC report, if present trends continue, by 2033, the average debt of public and private medical school graduates would be nearly identical.

Many in the academic medical community worry that rising debts will not only discourage students from considering medicine, but will take — or is already taking — a serious toll on the existing physician workforce. As evidenced by Knight, it is increasingly difficult to recruit young physician researchers because the field offers comparatively low income. Projected shortages in the lower paying primary care specialties can have an immediate impact on the nation's health care system.

"Primary care physicians are the usual first stop for a person with a new illness or minor injury," Jolly said. "If a shortage of these doctors should develop, the remaining primary care physicians would be stressed, and new patients would have difficulty being seen promptly."

**Medical Schools Develop  
Expense/Debt Management  
Strategies for Students**

But with all of these threats in mind, some in the medical education community are taking action. Many medical schools are developing expense management strategies for their students, or educating medical students on the essentials of financing their education.

Some are even reviewing their payment mechanisms to help bring down expenses. The University of Minnesota Medical School, the Mayo Clinic College of Medicine, and Washington University in St. Louis School of Medicine have instituted policies through which tuition for new students does not rise during their medical

school tenure. The policy helped Minnesota end its rein as the public medical school with the nation's highest average tuition.

"We implemented this policy because at that time our school had the highest tuition," said Deborah E. Powell, M.D., medical school dean at Minnesota. "We wanted to see if we could change that. Students like the predictable nature of this policy. It allows them to plan better."

The program, which began four years ago, now allows students up to six years to graduate at the frozen tuition cost, on the provision that they are using any time away from school to participate in activities related to medical education.

Since this policy was started, Powell said she has seen Minnesota's ranking fall from the most expensive to second-most expensive public medical school, and hopes this modest trend continues.

Robert McCormack, assistant dean of student affairs and director of financial aid at Washington University's medical school, said that his institution's fixed tuition policy "enables our students to budget for their entire education. That was the genesis behind it, and we think it's a great asset for students."

McCormack estimated that the freeze has kept average medical student debts at about \$98,000, or more than \$30,000 under the national mean.

Yale University School of Medicine's Director of Financial Aid Pamela Nyiri said her school has purposely established a low threshold for their students' base loan, which is the basis upon which loan payments are set.

"We are very committed to keeping the base loan as low as possible, so that debts are as low as possible and we can free students not to make career decisions based on money," Nyiri said.

The lender community discourages over-borrowing, but said that being somewhat in the red is not always reason to panic.

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**MARKET WATCH**

**Graduating Medical School Debt (in Dollars)**

	Public		Private	
	Annual Tuition and Fees	Total Debt	Annual Tuition and Fees	Total Debt
2001	\$12,411	\$86,000	\$31,296	\$120,000
2002	13,873	92,000	32,649	127,000
2003	16,332	100,000	34,247	135,000
2004	19,043	105,000	37,269	140,000
2005	20,370	115,000	39,024	150,000
2006	20,978	120,000	39,413	160,000
<b>Annual Rate</b>	11.1%	6.9%	4.7%	5.9%

Source: "Medical School Tuition and Young Physician Indebtedness: An Update to the 2004 Report," October 2007, Association of American Medical Colleges, [www.aamc.org](http://www.aamc.org).

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"Our view is that students should borrow only what they need, and that a certain amount of debt is not a bad thing, especially on a very, very good investment like medical school," said Timothy M. Fitzgibbon, vice president of debt management services at the National Council of Higher Education Loan Programs, a national organization that represents guaranty agencies, secondary markets, lenders, and other related groups.

The AAMC is unveiling a new educational program to help financial aid officers and students navigate the complexities of medical school debt and understand repayment options. With the association unlinking itself from any direct engagement with a commercial lender (i.e., ending its long-term engagement with Sallie Mae in the AAMC MEDLOANS program), AAMC officials said the association is well positioned to offer constituents a comprehensive tool to educate students on debt management.

The first phase, scheduled to launch May 1, will provide the program's logistical

groundwork. Future phases will include highly interactive tools and resources that will assist financial aid administrators and students in evaluating individual loan programs and help the latter group develop good consumer practices, financial literacy, and responsible repayment behavior.

"The idea is to provide unbiased information, resources, and tools to support the efforts of our financial aid constituency and help students make informed decisions," said Julie Fresne, director of student financial services at the AAMC. "We envision a comprehensive program that includes, among other things, an online mechanism that can compare and evaluate loan terms and conditions."

Of course, there is no magic bullet to solve the student debt equation.

"Debt is a multifaceted issue, and we need to focus our energy and best efforts into addressing it," Fresne said.

Source: AAMC Reporter: January 2008 — By Elissa Fuchs; [www.aamc.org](http://www.aamc.org).

**What's New at NEJM?**



Effective January 22, 2008, Tricia Griffin joined the NEJM Classified Advertising team as our newest recruitment advertising representative.

Tricia joins us from AutoTrader.com, where she sold online advertising for two years. Previous to that, she worked as an assistant buyer at Filene's within their men's sportswear and outerwear department. Feel free to welcome Tricia directly as she may be reached at (781) 434-7417 or at [tgriffin@nejm.org](mailto:tgriffin@nejm.org).

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MEETINGS  
AND MEDICAL  
CONVENTIONS**

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April 23–25, 2008  
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lscreeney@earthlink.net

**Association of American  
Medical Colleges Physician  
Workforce Meeting**  
April 30–May 2, 2008  
Arlington, VA  
www.aamc.org

**National Association of  
Physician Recruiters\***  
April 30–May 3, 2008  
Memphis, TN  
www.napr.org

**American College of  
Physicians\***  
May 13–17, 2008  
Washington, DC  
www.acponline.org

**Michigan Recruitment  
and Retention Network**  
May 18–20, 2008  
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SPECIAL ISSUE	NEJM ISSUE	CLOSING DATE	AUDIENCE	SPECIALTIES	BONUS REACH
In Practice 4–5 years*	May 1	April 11	Physicians in practice 4 to 5 years	IM, subspecialties in IM, pediatrics, surgery, and more!	30,000*
MD Career Path Resource Guide*	June 5	May 16	2009 residents and fellows; program directors	All specialties — over 100!	40,000*

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**Farewell and Good Luck to Brenda!**

Effective January 2008, Brenda Yorba left the *New England Journal of Medicine* to pursue motherhood full time. Many of you met Brenda throughout her almost 10 years at NEJM, and know what an integral role she played in the success of our physician recruitment advertising team. Her wonderful customer service skills, combined with her business savvy and great sense of humor, make it a definite that she will be very missed around here. Please join us in wishing her well — she will need it — seeing that she is taking on two tough, but very cute “clients” — her sons Michael (almost 3) and Tyler (almost 14 months). Good luck, Brenda — we will miss you!