

March 11, 2013

Testimony to House Health Committee re: HB 2858, Rural Loan Forgiveness program  
Lisa Grill Dodson, MD Secretary, Oregon Academy of Family Physicians

Chairman Greenlick and members of the committee,

My name is Lisa Grill Dodson. I am testifying today in my role as the Secretary of the Board of Directors of the Oregon Academy of Family Physicians to provide testimony in favor of HB 2858.

There is without a doubt a shortage of physicians, nurses, physician assistants and other essential health care workers in rural and underserved communities throughout Oregon. This shortage is expected to worsen over the next decade. The reasons for this worsening shortage are numerous, including the accelerating retirement of an aging physician and nursing workforce, changes in medical admissions and training, lifestyle choices and rapidly rising debt.

The indebtedness acquired by students during their training programs is reaching crisis proportions. Tuition costs at most Oregon training institutions are among the highest in the country. OHSU medical students are graduating with a median debt medical school debt of more than \$170,000, with at least 10% of students in debt for more than \$250,000. This excludes debt from undergraduate or other education. This level of indebtedness is forcing students to reconsider commitment to training in primary care, and to practicing in rural and underserved communities. Regardless of their level of commitment, such training and practice becomes unfeasible when debt levels surpass the ability to reasonably repay them.

The current level of indebtedness threatens the social mission of our medical education system, undermines health reform efforts, and is counter to the increasing need for the robust primary care workforce needed to control medical costs and ensure access for all Oregonians. As you will see from the examples provided at the end of this testimony, students graduating with current levels of indebtedness cannot reasonably be expected to manage their debt with the salaries expected for primary care physicians. We have crossed the threshold where a student's good intentions are overcome by the reality of a life of indebtedness.

Students do not need to graduate debt free in order to enter primary care disciplines, and enter practices that care for rural and other underserved populations, but they do need to have mechanisms that allow them to reduce their debt to levels that allow them to make these choices. Students are increasingly finding that, due to their debt, they must choose higher paying, non-primary care disciplines that do not allow them to practice in smaller communities, or provide primary care services.

In the 2011 session, the legislature appropriated \$525,000 for Oregon's first state sponsored loan forgiveness program. This funding supported five current OHSU students in rural training tracks. With the assistance of the Rural Loan Forgiveness program, each of these students may

save as much as \$50,000-\$100,000 on interest alone, reduce their monthly loan payments by hundreds or even thousands of dollars, pay their loans off more 10 year more quickly, and be able to reinvest the savings into their Oregon communities. Even more importantly, it will allow them these students the opportunity to choose primary care careers and return to serve the primary care needs of their rural communities.

Re-funding the Rural Loan Forgiveness program is a smart investment in our students, our communities, our economy and our healthcare system. It provides an upfront benefit that significantly reduces loan payment costs and length of indebtedness, allows students to consider primary care careers, and enhances the social mission of medical education. I encourage you to continue to fund this valuable and cost effective program.

Please do not hesitate to contact me if I can provide additional information or be of any additional assistance to you.

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## Loan forgiveness makes primary care specialty choice possible

**EXAMPLE 1:** *Medical student with \$250,000 debt, 7.9% interest\*, no loan forgiveness program*

### 10 year payback

- Monthly payment \$3,028
- Total payback \$363,397
- Interest paid \$112,399
- Annual income required to support loan: \$362,400

### 20 year payback

- Monthly payment \$2,075
- Total payback \$498,135
- Interest paid \$248,135
- Annual income required to support loan: \$249,068

### 30 year payback

- Monthly payment \$1,817
- Total payback \$654,128
- Interest paid \$404,128
- Annual income required to support loan: \$218,041

**EXAMPLE 2** *Medical student with \$35,000 loan forgiveness for 3 years (\$105,000), reducing debt incurred from \$250,000 to \$145,000, @7.9% interest\**

### 10 year payback

- Monthly payment \$1,751
- Total payback \$210,191
- Interest paid \$65,191
- Annual income required to support loan: \$210,192

### 20 year payback

- Monthly payment \$1,203
- Total payback \$288,918
- Interest paid \$143,918
- Annual income required to support loan: \$144,459

### 30 year payback

- Monthly payment \$1,053
- Total payback \$379,390
- Interest paid \$234,390
- Annual income required to support loan: \$126,464

\* 7.9% interest is the 2012 rate for Plus loans

\*\* All figures calculated using [www.finaid.org](http://www.finaid.org) loan calculator

\*\*\* Median starting salaries (2012): family physicians and internal medicine \$160,000; pediatrics \$135,000 (Merritt Hawkins) (authors note: rural salaries likely to be lower)

