Congress of the United States Washington, DC 20515

November 1, 2021

The Honorable Miguel Cardona Secretary of Education U.S. Department of Education 400 Maryland Avenue, S.W. Washington, DC 20202

Dear Secretary Cardona,

We write to urge the Department of Education (Department) to include additional changes to the regulations implementing the Public Service Loan Forgiveness (PSLF) program that are currently being considered by the Affordability and Student Loan Committee as part of the ongoing negotiated rulemaking to ensure that eligible physicians in California and Texas can qualify for forgiveness under the program.

The PSLF program was created to help individuals enter and remain in public service regardless of their student loan debt, including doctors who provide health care in rural and low-income communities. Unfortunately, doctors in California and Texas treating patients in private, nonprofit community hospitals are not able to access forgiveness under the program due to the current implementing regulations for PSLF.

The employment requirements for PSLF that borrowers must meet under Section 455(m) of the *Higher Education Act of 1965* (HEA) are clear. Borrowers must be employed in a public service job while the borrower makes 120 qualifying payments and must be employed in a public service job at the time of forgiveness. Further, the definition of a public service job includes health care practitioner occupations.¹ However, the current regulations narrow these requirements and further define an employee as "an individual who is hired by a public service organization."² This current definition excludes physicians in California and Texas working at private, nonprofit community hospitals due to state laws that bar the corporate practice of medicine.³

Put in place as a consumer protection to ensure that corporate interests do not influence medical decisions, doctors in California and Texas are not directly employed by most nonprofit hospitals. Instead, they are able to practice medicine based on staff privileges bestowed to them as part of their membership on the hospital's medical staff. Thus, the PSLF regulations inadvertently deny PSLF to the doctors working in nonprofit hospitals where other health care professionals do qualify because they are directly employed by the hospital.

We are excited that after years of advocating for this change, the Department is engaging in a negotiated rulemaking to make significant improvements to the PSLF program, and we are hopeful these changes will include addressing this disparity in the regulations. However, the

¹ Higher Education Act of 1965, 20 U.S.C. § 1087(e).

² Public Service Loan Forgiveness Program, 34 CFR § 685.219(b).

³ Cal. Bus. & Prof. Code § 2282.

current proposed language to change the definition of employee to "an individual to whom an organization issues an IRS Form W-2 or who receives an IRS Form W-2 from an organization that contracts services providing human resources or other administrative requirements"⁴ still leaves out doctors in California and Texas. Due to the prohibition on the direct employment of doctors in our states, they do not receive W-2s from hospitals. This replicates the same issue with the current regulation. The physicians in question do not receive W-2 forms from hospitals because they are not employed by hospitals. Depending on the way a physician practice is structured, some receive 1099 tax forms. Some contract with their hospitals to provide care. However, they provide full-time health care services in public service as envisioned by the underlying statute through their direct arrangements with the hospital medical staff.

To resolve this issue, we recommend the Department adopt the following language which is included in H.R. 1133/S. 311, the Stopping Doctor Shortages Act:

FULL-TIME JOB AS HEALTH CARE PRACTITIONER".

The term 'full-time professionals engaged in health care practitioner occupations' includes an individual who—

``(i) has a full-time job as a health care practitioner;

('(ii) provides medical services in such full-time job at a nonprofit hospital or public hospital or other nonprofit or public health care facility; and

('(iii) is prohibited from being employed directly by such hospital or other health care facility by State law.''

This inequity in the implementation of this program is hurting patients in California and Texas as current and new physicians move elsewhere to practice medicine. With severe doctor shortages only projected to grow in each state, and as we continue to recover from an ongoing pandemic, we urge you to allow doctors in California and Texas providing critical care in nonprofit hospitals to access the Public Service Loan Forgiveness program.

Sincerely,

Dianne Feinstein United States Senator

Josh Harder Member of Congress

⁴ U.S. Department of Education, Proposed Regulations for Public Service Loan Forgiveness Program. (September 30, 2021), <u>https://www2.ed.gov/policy/highered/reg/hearulemaking/2021/pslfproposedregtextappprocess.pdf</u>.