Medical Student Loan Forgiveness

Brief submitted by the Canadian Federation of Medical Students

Canada Student Loan Forgiveness for Family Doctors and Nurses

An example of a positive step towards alleviating the shortage of family doctors in rural and remote areas is the Canada Student Loan Forgiveness for Family Doctors and Nurses program (CanLearn, 2014). In April 2013, the Government of Canada began to offer up to $40,000 ($8,000 per year) in loan forgiveness for family physicians and medical residents who practice for a minimum of 400 hours (or 50 days) in designated rural and remote communities (CanLearn, 2014). By November 2013, over 1,150 family physicians and nurses have participated in the Canada Student Loan forgiveness program (Bergen, 2013).

In April 2013, the Government of Canada implemented a program to forgive a fraction of the federal portion of Canada Student Loan Program (CSLP) loans for family physicians and nurses who choose to practice in a rural or remote community - up to $8,000 per year, to a maximum of $40,000 over five years[1, 2]. This program provides financial relief for new medical graduates while increasing capacity for primary care in underserved areas. Approximately 1,150 family physicians and nurses have received loan forgiveness[2].

However, the CSLP requires medical residents to make payments on both the principal of the loan and interest accrued during residency training. Currently, many residents consolidate their federal and provincial-territorial student loans into a private line-of-credit with a lower interest rate, or alternatively take part in a provincial-territorial loan-relief program during residency; these physicians would be ineligible for the new CSLP relief program. Consequently, the incentive to practice in a rural or remote community is considerably diminished.

British Columbia, Alberta, Manitoba, Ontario and Prince Edward Island already offer medical residents loan- and interest-relief on provincial-territorial student loans during residency training. Likewise, it would be advantageous for the federal government to offer the same loan- and interest-relief on the federal portion of the Canada Student Loan for medical trainees. In addition to aligning federal and provincial-territorial policies, this would more effectively attract primary care physicians to rural and remote areas.

Access to Health Care in Rural and Remote Areas

Access to health services varies widely across Canada. Despite progress towards a more equitable geographic distribution of physicians, significant challenges persist. In 2012, while 18% of Canadians live in rural and remote areas, only 8.5% of physicians work within these regions (CIHI 2012). This disparity in distribution may compromise the health of rural Canadians. Greater proportions of Canadians in rural areas report poor or fair health status, activity limitations, and disabilities (Pong et al., 2011). Compared to urban patients, those living in rural areas are less likely to have a family physician, receive flu vaccinations, or access specialist physicians (Sibley & Weiner, 2011). Furthermore, rural patients with heart problems,

respiratory illnesses, and diabetes experience higher mortality rates than their urban counterparts (CIHI, 2006).

The inequitable distribution of physicians is evident. There is also a maldistribution of physicians across different specialties. While fields like primary care continue to report physician shortages, orthopaedic surgeons and radiation oncologists struggle to find employment (Frechette, 2013). These geographic and specialty distribution problems likely underlie the 2014 Commonwealth Fund finding that places Canada last in terms of timely access to care when compared to 10 other OECD nations (Davis et al., 2014).

This disparity in health and access to health services has initiated cross-sectoral collaboration to improve the state of health human resources within Canada. In 2013, the Conference of Deputy Ministers of Health created the Physician Resource Planning Task Force (PRPTF) to address the maldistribution of physicians across geographic areas and specialties (Mondal & Slade, 2013). Through this group, the government is helping to address an imbalance of unemployed or underemployed specialist physicians against a continued shortage of family physicians, especially in remote, rural, and northern communities.

Problems with the Current Loan Forgiveness Program

The CFMS applauds the Canada Student Loan Forgiveness for Family Doctors and Nurses program as a method to improve access to health services in rural and remote regions. Yet this program may not be maximally effective.

Upon completion of medical school, medical students enter residency training in their field of interest for 2-5 years. Residents are supervised junior physicians. Currently, the CSLP requires graduating medical students to begin repaying their loans at the outset of residency. The interest rate on Canada Student Loans is prime plus 2.5%. In contrast, the interest rate on medical student lines of credit are set at prime. Therefore, residents often consolidate their federal Canada Student Loans into their private lines of credit due to the lower interest rate.

This practice compromises the efficacy of the Canada Student Loan Forgiveness for Family Doctors and Nurses program. If residents have already consolidated their federal loan into private lines of credit, there is no financial incentive to practice in a rural region. Simply stated, the program offers forgiveness on government loans that no longer exist.

While some may claim that the 1,150 participants in the Canada Student Loan Forgiveness for Family Doctors and Nurses illustrates the program’s success, we do not know what proportion of participants are nurses rather than family medicine residents or physicians. Deferring repayment of the principal and interest from the Canada Student Loan throughout residency training would

eliminate the need to transfer federal loans to private lines of credit, thereby maintaining the financial incentive to practice in rural and remote regions.

Expanding eligibility for the Canada Student Loan Forgiveness to include specialties other than family medicine also has the potential to enhance health care in rural and remote regions. We have already noted that 8% of all physicians work in rural areas, while 18% of the population resides within these communities (CIHI, 2012). However, access to specialist physicians in rural and remote regions is particularly concerning; only 2.5% of specialists practice outside of urban centres (CIHI, 2012). We have already mentioned the markedly reduced access to specialist physicians in rural regions (Sibley and Weiner, 2011). Offering specialist physicians such as psychiatrists, paediatricians, and surgeons loan forgiveness to practice in rural communities may create new opportunities for rural Canadians to benefit from specialist care.

Medical Student Debt and Decreased Economic Diversity

The CFMS believes that deferral of Canada Student Loan repayments throughout residency training would increase participation in loan forgiveness and provide rural Canadians with access to physicians. Additional benefits may arise from reducing the financial burden on physicians-in-training. It is well-known that medical education is a costly pursuit; over half of physicians finish residency over $40,000 in debt, and 14% begin medical practice owing over $160,000 (National Physician Survey, 2012). The unfortunate implication of these high costs is the reduced economic diversity of medical students. Significant increases in medical school tuition were associated with the number of medical students from families with an income of less than $40,000 per year decreasing from 22.6% to 15% between 1997 and 2000 (Kwong et al., 2002). Trends from this study suggest high levels of debt may influence medical students' choices when deciding whether to practice in rural or urban locations. Easing the financial burden on residents through loan deferral may help to ensure that financial limitations do not prevent motivated and caring individuals from pursuing a career in medicine.

Expected cost or savings:

$10-15 million savings immediately.

Federal Funding
The Government of Canada already invests an estimated $9 million per year to forgive a portion of Canada Student Loans for new family doctors, nurses and nurse practitioners who agree to work in underserved rural or remote communities.

Intended Beneficiaries
Medical students/residents and the health of individuals and communities in rural and remote areas.

General Impacts
There is an inequitable distribution of physicians across geographic regions that favours urban regions. The Canada Student Loan Forgiveness for Family Doctors and Nurses program was created with the intention of partially alleviating this burden by incentivizing new medical graduates to practice in rural and remote areas. Deferring the repayment on the principal and interest accrued on the federal portion of the medical graduates' Canada Student Loans until completion of residency training will encourage uptake and adherence to the Canada Student Loan Forgiveness program. Overall this would improve the health of individuals and communities in rural and remote areas of Canada, helping to close the extant gap in access to care between urban and rural Canada.

Executive Summary of Recommendation

We recommend that the government defer repayment on the principal and interest accrued on the federal portion of medical graduates' Canada Student Loans until completion of their residency training. The Canada Student Loan Program requires that medical graduates begin repayment of their loans at the time they become medical residents. This is to fulfill the intentions of a) maintaining the financial incentive to practice in rural and remote areas through participation in the Canada Student Loan Forgiveness for Family Doctors and Nurses program, and b) improving access to medical education for individuals from socio-economically diverse backgrounds.

However, the current interest rate on Canada Student Loans is prime plus 2.5% and the interest rate on medical student lines of credit are set at prime. Consequently, residents often consolidate their federal Canada Student Loans into their private lines of credit to attain the lower interest rate, compromising the efficacy of the Canada Student Loan Forgiveness for Family Doctors and Nurses program, which is intended to encourage rural practice. By deferring repayment on the federal portion of the Canada Student Loans, the federal government can encourage new physicians to take full advantage of existing government incentive programs for rural practice. We also recommend expanding Canada Student Loan Forgiveness for Family Doctors and Nurses to include specialist residents and physicians in order to alleviate the severely limited access to specialist services in rural and remote areas.

Description of the Canadian Federation of Medical Students

The Canadian Federation of Medical Students (CFMS) is the representative voice of Canadian medical students to the federal government, public, and to national medical organizations. We represent over 8,300 medical students at 15 Canadian medical schools from coast to coast. It is our mission to provide representation, services and communication within our membership and to the world at large.

Our mission: The CFMS is the national voice of Canadian Medical Students. We connect, support and represent our membership as they learn to serve patients and society.

Our vision: Tomorrow’s physicians leading for health today.

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