

Date of Hearing: April 18, 2017

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 508 (Santiago) – As Introduced February 13, 2017

SUBJECT: Health care practitioners: student loans

SUMMARY: Repeals the authority for a licensing board under the Department of Consumer Affairs (DCA), as defined, to cite and fine a licensed healthcare practitioner or deny an initial license application or renewal for a healing arts license if the applicant or licensee is in default on a federal health education loan, as specified.

EXISTING LAW:

- 1) Provides for the licensure and regulation of various professions and vocations by boards, bureaus, and other entities within the DCA. (Business and Professions Code (BPC) Section 22, 100-144.5)
- 2) Categorizes licensed professions into two general types, healing arts and professions and vocations generally. (BPC Section 500 et seq)
- 3) Authorizes a board to cite and fine a currently licensed health care practitioner if the licensee is in default on a United States Department of Health and Human Services (HHS) education loan, including a Health Education Assistance Loan. (BPC Section 685(a))
- 4) Authorizes a board to deny an application for a health care practitioner license or deny renewal of a license if the applicant or licensee is in default on an HHS education loan, including a Health Education Assistance Loan, until the default is cleared or until the applicant or licensee has made satisfactory repayment arrangements. (BPC Section 685(b))
- 5) Provides that, in determining whether to issue a citation and the amount of the fine to a licensee or to deny an application or renewal of a license, a board shall take into consideration a) the population served by the health care practitioner and b) the health care practitioner's economic status. (BPC Section 685(c))
- 6) Defines, for purposes of discipline based on default on a health education loan, the following terms: (BPC Section 685(d))
 - a) "Board" means a licensing board or agency having jurisdiction of a licensee, but does not include the Board of Chiropractic Examiners.
 - b) "Health care practitioner" means a person licensed or certified pursuant to Division 2 (Healing Arts) of the BPC (Sections 500-4999.129), or licensed pursuant to the Osteopathic Initiative Act.

FISCAL EFFECT: Unknown.

COMMENTS: *Background.* In California, many professions require a license to legally practice, including many of the healing arts. Many of the professional licenses are administered by licensing boards, bureaus, and other entities within the DCA. The DCA licensing entities are established to protect the people of California through adequate regulation of businesses and professions engaging in activities that risk harm to the health, safety, and welfare of the public.

Healing arts boards (except for the Board of Chiropractic Examiners) also have an authority that is not directly tied to consumer protection. Currently, the boards are authorized to issue a citation or a fine to a licensee or deny the license renewal of a licensee who has defaulted on a federal HHS education loan. The law also authorizes the boards to deny the license of an applicant in default on an HHS education loan. This bill would repeal that authority.

Purpose. This bill is author sponsored. According to the author, "...the deficiency in the current law is that it gives licensing Boards excessive authority to punish professionals on the basis of loan default, which is not an important factor in the practice of health professions. Legislative action is required because it's the only way to remove these unnecessarily punitive laws. According to recent reporting from [National Public Radio], other states that have similar laws...have also begun to review their policies surrounding this issue. In fact, last year Montana became the first state in the nation to repeal their law and we believe it's time for California to do the same. When these laws were passed it was common belief that people behind on their payments were careless borrowers and harsh punishments were needed to motivate borrowers to pay. We know...student debt is a burden for lots of people, many of whom are honest borrowers who struggle to make a living even beside their student loans. California should not be in the business of disciplining working professionals struggling to pay off their debts, especially those who provide a vital service to the public such as nurses, dentists, and doctors."

Loan Debt. An overwhelming majority of students carry debt upon graduation from college. According to research published in 2014 by The Institute for Access and Success (TICAS), in 2012, 71% of all students graduating from four-year colleges nationwide had student loan debt. That represents 1.3 million students graduating with debt, up from 1.1 million in 2008 and 0.9 million in 2004. About one-fifth of 2012 graduates' debt was comprised of private loans. Private loans (non-federal) are typically more costly and provide fewer consumer protections and repayment options than safer federal loans.

TICAS also noted that graduates who received Pell Grants, most of whom had family incomes under \$40,000, were much more likely to borrow and to borrow more. Among graduating seniors who ever received a Pell Grant, 88% had student loans in 2012, with an average of \$31,200 per borrower. In contrast, 53% of those who never received a Pell Grant had debt, with an average of \$26,450 per borrower — \$4,750 less than the average debt for Pell recipients with debt.

The Association of American Medical Colleges found that, in 2014, 79% of graduates left school with debt of \$100,000 or more, with 43% leaving with \$200,000 or more. The Association of American Medical Colleges also found no correlation between specialty choice and potential debt. While costs may factor into some students' decisions, about 98 percent of students ranked "personality fit" as the number one indicator of specialty choice.

Federal Health Education Loans. The authority to discipline healing arts licensees and deny applicants for defaulting on an HHS loan was established under AB 2019 (Speier), Chapter 683, Statutes of 2002. At the time, the author of AB 2019 stated that \$173 million was owed

nationwide by health care practitioners in defaulted educational loan debts, \$40 million of which was estimated to be owed by California practitioners. According to the author of AB 2019, “these individuals are hard-core defaulters who may only respond to strong local pressure, including revocation or suspension of their license to practice.”

However, it is not clear that the loans targeted by that bill are the same loans currently in existence. For example, according to the U.S. Department of Education, the Health Education Assistance Loan (HEAL) Program was only available from fiscal year 1978 through fiscal year 1998 (on July 1, 2014, the HEAL Program was transferred from the U.S. Department of Health and Human Services to the U.S. Department of Education). It is no longer possible to obtain a new HEAL Program loan.

At the time AB 2019 was enacted, the HHS published a list of practitioners who defaulted under the HEAL program in the federal register. Currently, the U.S. Department of Education does not publish this information, but, pursuant to 42 U.S.C. 292h(c), it plans to in the future (82 FR 7807).

Currently, the loans offered by the HHS (through the Health Resources & Services Administration (HRSA)) appear to be aimed at improving health workforce shortages and providing educational opportunities for disadvantaged students from diverse backgrounds. For instance, under the Health Professions Student Loans (HPSL) program, HRSA provides “grants to participating schools to offer long-term, low interest loans to needy students, enrolled full-time or half-time in a dentistry, optometry, pharmacy, podiatric, or veterinary medicine.”

Arguments in support. The California Optometric Association writes that, “...many healthcare providers are burdened with enormous student loan debt upon graduation. For instance, in California, a doctor of optometry pays an average of \$152,000 in graduate school tuition alone. Figures estimate the national student loan debt is a staggering 1.3 trillion dollars, second only to mortgages. Repayment of loans is directly correlated with employment. Health care professionals depend upon licensure in order to practice, which enables them to repay their student loans. Health care practitioners should not be penalized for falling into arrears. There already is a shortage of healthcare providers in California, let us not increase the numbers by denying licensure to qualified professionals based upon non-payment of school debt.”

REGISTERED SUPPORT / OPPOSITION:

Support

California Chapter of the American College of Emergency Physicians
California Health+ Advocates
California Optometric Association
Service Employees International Union SEIU Local 1000

Opposition

None on file

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