Navigating PT Student Loan Debt Burden

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Early Professionals SIG

Objectives
1. Discuss the net present value of physical therapy education in relation to other health professions.
2. Formulate strategies to reduce the potential negative effects of student loan debt burden on clinical practice.
3. Compare the responsibilities of both borrowers/students and academic institutions in addressing student loan debt burden.
4. Identify the market-driven impact of student loan debt on practice setting, location, and specialty.

Disclaimer & About Us

DISCLAIMER:
We are in no way qualified to provide financial advice or personalized recommendations regarding loan repayment. This presentation is for informational purposes only!

CONFLICTS OF INTEREST:
We both have student loans!

Why is PT education so expensive?
Supply/demand, competition, and overhead
Institutional financial models
Endowments Tuition Financial Aid Rate of Increase
Jette, 2016; Portney, 2014; Eide, 2018

Average cost of DPT tuition=
$64,993 (public, in-state)
$112,714 (private)

Average entry level salary =
$70,680

Net Present Value (NPV) & Total Indebtedness

NPV = difference between the cost required to get your degree and the lifetime earning potential

Wong Baker FACES™ Pain Rating Scale

<table>
<thead>
<tr>
<th>0</th>
<th>2</th>
<th>4</th>
<th>6</th>
<th>8</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>Little Bit</td>
<td>More</td>
<td>Even More</td>
<td>Worse Than</td>
<td>Worst</td>
</tr>
</tbody>
</table>

$0 Debt < $150k $150k-$200k $200k-$250k >$250k
Sheets et al., 2018
**Effect of Provider Debt on Patient Care**

- Provider mental wellbeing
  - Work-life balance
  - Burnout
  - Confident in investing in one's self
- Decreased pursuance of specialty practice and professional development
  - 66% of therapists graduating with debt would not pursue residency/fellowship
  - "Dissuades an entire generation from a culture of lifelong learning"
  - Private practice ownership
- APTA Membership

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**Effect of Provider Debt on Practice Setting**

- Educational debt influences physician practice setting
- Students from lower income families are more influenced by debt
  - Fewer applications for specialty practice
- Physical therapists in FL:
  - As debt increased there is an increased percentage of not being in the desired practice setting
  - 49% would leave their practice setting for a higher salary in a different setting

Rohlfing et al. 2014; Glauser 2018; Philips et al. 2014; Ambler 2016

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**Employee Considerations**

- Previous employee interview questions...
  - What is your benefit package?
  - What is your retirement plan?
  - How long is your family leave?
- Employee interview questions today...
  - How much tuition reimbursement do you provide?
  - How many vacation days do you provide?
  - Are there opportunities to work overtime or work a second job?

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**Employer Considerations**

- Employers take student debt into consideration when interviewing candidates
  - Candidates with 150k versus 50k in debt
- Employer joins ownership of student loan debt in repayment
- Employers already spread thin with increasing employee benefit costs
- Potentially misses out on the best candidate if unable to accommodate

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**Borrower Responsibilities**

- How much do I really need?
- What all do I have to pay for while in school?
  - Tuition
  - Housing/Utilities
  - Car/Transportation
  - Food
  - Amenities; i.e. phone, gym, etc.
Borrower Responsibilities

- How much do I really need?
- What all do I have to pay for after school?
  - Loan Debt
  - Housing/Utilities
  - Car/Transportation
  - Food
  - Amenities; i.e. phone, gym, etc.
  - Retirement, Family, Life goals??

Borrower Smarts

- Know the different types of loans
  - Subsidized versus Unsubsidized; Private versus Public
- Compare interest rates between loans
  - Low interest-short term versus high interest-long term
- Search for scholarships or work-study programs.
  - Make sure to read the fine print!
- Calculate how much you will need for school, not school plus life.

Where Can I Cut Costs?

- Life Expenses
  - Rent/mortgage costs are skyrocketing every year
  - Find affordable housing area/amenities
    - Split costs with roommates
  - Carpool with classmates
  - Buy that new car after graduating
  - "Stay in your life-lane"
  - Budget as much as you can!

Where Can I Cut Costs?

- Loan Types
  - Federal over Private Loans
  - Public Service Grants if applicable
  - Income-Based Loans if applicable
  - Variable Interest/long term as last resort

Not All Loans are Equal

- Subsidized - 4.53%*
  - Interest not charged while in school nor grace period
  - Loan cap amount
- Unsubsidized - 6.08%*
  - Interest is charged while in school and grace period
  - Loan cap amount
- PLUS - 7.08%*
  - Interest is charged while in school
  - No cap limit
- Consolidated - 3-6%*
  - Honors interest charged of each loan while in school
  - Combines interest rates into one rate and payment
- Private - 3-9+%
  - Interest charged while in school
  - Variable loan caps
  - Interest rates fluctuate

*As of 2019

Repayment Plan Types

- Traditional Plans
  - Standard Fixed - same rate for 10 years
  - Standard Graduated - progressive rates for 10 years
  - Extended Fixed - same rate for up to 25 years
  - Extended Graduated - progressive rates for 25 years
- Income-Driven Plans*
  - Pay As You Earn - 10% of income for 20 years
  - Income-Based - 15% of income for 25 years
  - Income-Sensitive - 20% of income for 25 years
  - Some plans forgiven based on employment setting
  - *Must read fine print for all restrictions and qualifications
### A Tale of Two Debts

<table>
<thead>
<tr>
<th></th>
<th>Student A</th>
<th>Student B</th>
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</thead>
<tbody>
<tr>
<td>Tuition</td>
<td>$30,000/yr</td>
<td>$30,000/yr</td>
</tr>
<tr>
<td>Rent/Living</td>
<td>$12,000/yr</td>
<td>$18,000/yr</td>
</tr>
<tr>
<td>Utilities/Amenities</td>
<td>$1,200/yr</td>
<td>$1,200/yr</td>
</tr>
<tr>
<td>Transportation</td>
<td>$1,800/yr</td>
<td>$1,200/yr</td>
</tr>
<tr>
<td>Food</td>
<td>$3,000/yr</td>
<td>$6,000/yr</td>
</tr>
<tr>
<td>Loan Type</td>
<td>Standard Fixed Rate</td>
<td>Graduated Extended</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>6.4% for 10 yrs</td>
<td>3.5-9.5% for 25 yrs</td>
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<tr>
<td>Total Loan Balance</td>
<td>$144,000</td>
<td>$169,200</td>
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<tr>
<td>Monthly Payments</td>
<td>$1,624</td>
<td>$834 - 1,460</td>
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<tr>
<td>Total Repayment Cost</td>
<td>$194,895</td>
<td>$337,994</td>
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</tbody>
</table>

### Be Smart with Your Money
- Financial savviness can make or break student loan repayment
- Manage your money wisely
- Read all fine print when accepting loans or grants
- Talk loans over with school financial aid office and loan servicer
- Utilize APTA Financial resources

### APTA Financial Solutions Center
- [www.apta.org/FinancialSolutions/](http://www.apta.org/FinancialSolutions/)
- FREE Financial Education Webinars, Articles, Quizzes, Budget Calcuators, etc for APTA Members via Enrich
  - [www.enrich.apta.org](http://www.enrich.apta.org)
- Loan Repayment Discount of 0.25% for APTA Members via Laurel Road
  - [www.laurelroad.com/partnerships/apta](http://www.laurelroad.com/partnerships/apta)
- Access to Certified Financial Planners Database for APTA Members
  - [www.letsmakeaplan.org/choose-a-cfp-professional/](http://www.letsmakeaplan.org/choose-a-cfp-professional/)

### It is a Shared Responsibility
- Get advice from others
  - Classmates
  - Family
  - School advisor
  - Financial aid office
  - Loan service company
  - Employer
- All are involved when you commit to a loan

### How Can we Fix this Issue?
- Advocate for more healthcare service grants
  - Adding Physical Therapists to Public Health Service Loan
- Advocate for expanded federal loan limits and availability
- Negotiate with employers on better tuition reimbursement packages

### Alternative Options to Cutting Costs
- Increase cohort size to save expenses by school
- Provide credit for coursework or experiences gained prior to school
- Reduce clinical education requirements
  - Limits out-of-classroom time and travel/living expenses
- Advocate for provisional licenses while on rotations
  - No more working for free!
- Provide online/hybrid instruction
- Utilize regional clinical education consortia
- Increase thriftiness among borrowers
- Shorten training times
Get Involved: Help Fix the Issue

- Serving the APTA in any capacity helps address these issues
- APTA has several Student-Debt task forces
- Providing insight into these task forces keeps group on track
- Start student-debt task force at state level
  - Address state supported loan reform

References


References Cont’d


