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How student loan reform will impact the physician pipeline

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The Buzz This Week

On July 4, the One Big Beautiful Bill Act (OBBBA) was signed into law, introducing significant changes to student loans. Effective July 1, 2026, federal student loans will be capped at \$200,000. The legislation also eliminates graduate and professional PLUS loans, starting in the 2026–2027 academic year. These loans previously helped cover tuition and living expenses beyond standard federal loans.

Supporters of the reform believe that limiting federal borrowing will help control rising tuition costs, encouraging schools to increase scholarships or reduce tuition. They also estimate the policy could save taxpayers approximately \$35 billion by 2034 by reducing unpaid graduate debt.

However, many across the healthcare industry—including the Association of American Medical Colleges (AAMC), medical schools, healthcare leaders, and policy experts—warn of potential consequences. These financial barriers could worsen the nation's physician shortage by pushing some students away from the field entirely or toward higher-paying specialties, deepening shortages in lower-paid specialties like primary care.

Critics of the loan cap also believe these changes will disproportionately impact low-income, rural, and underrepresented students, making medical education less accessible and hindering ongoing efforts to diversify the physician workforce.

Meanwhile, international medical residents have faced delays this summer due to the pause of J-1 visa interviews, causing many medical residents to miss the standard July 1 residency start date. Although processing has resumed, some applicants still face scheduling challenges and travel restrictions.

More than 6,600 international medical graduates matched to US programs last year, and continued visa challenges could further strain the physician workforce. This is especially concerning because foreign-educated residents often serve in underserved areas and fill residency slots in less competitive specialties. These disruptions could also impact the upcoming recruitment cycle, which begins in September.

Why It Matters

In 2024, the average US medical school graduate carried \$212,341 in student debt, already exceeding the upcoming federal loan cap. With the loss of the Grad PLUS program, future students may need to seek private loans, which often come with higher interest rates and less flexible repayment options.

These financial hurdles come as the US is facing a projected shortage of up to 86,000 physicians by 2036, threatening access to care across the country. This growing gap is driven by an aging population that is increasing demand for care, alongside a portion of the physician workforce approaching retirement. Other contributing factors include physician burnout, limited training capacity, and maldistribution of doctors across regions and specialties.

The cumulative impact of new financial barriers and J-1 visa delays for international residents threatens to worsen the physician shortage and widen existing health disparities. A diverse physician workforce has proven benefits, including improved patient care for marginalized populations. A diverse clinical team improves patient trust, outcomes, and the learning environment for all trainees.

In addition, physicians from underrepresented backgrounds are more likely to practice in under-resourced communities. Research indicates that family physicians with rural backgrounds are more likely to choose rural practice settings than their urban counterparts. Similarly, physicians from racial and ethnic groups historically underrepresented in medicine are more likely to work in underserved communities and care for minority patients.

Despite these challenges, health systems have been evolving their programs and curriculum to help meet workforce needs. Some schools are offering an accelerated program, allowing students to finish in 3 years, graduating faster and with less debt while covering the full curriculum. Others are expanding dual-degree programs, integrating public health or business alongside medical education.

Still other schools are adapting their curriculum, like the newly opened Wake Forest University School of Medicine based in Charlotte, NC, which is shifting from traditional lectures to hands-on, scenario-based clinical training from Day 1.

However, residency slots have not expanded at the same rate as medical schools. While Congress added 1,200 residency slots in 2021 and 2023, the number was previously unchanged since 1997. Recent bipartisan efforts to address this shortage include the Resident Physician Shortage Reduction Act (H.R. 3890), which proposes adding 14,000 Medicare-funded residency positions over the next 7 years to assist with workforce gaps. In addition, this bill would distribute \$63.5 million in grant funding to rural hospitals looking to launch residency programs.

Addressing the physician shortage will require action from policy-makers, educational institutions, and health systems. If this crisis continues, access to care—particularly in underserved and rural communities—will remain at risk.

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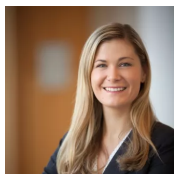
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