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COMMENTARY

It's Time to Broaden the Conversation About the Student Debt Crisis Beyond Rising Tuition Costs

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INTRODUCTION

We all have heard the news about the rising student loan debt and the negative impact this has had on graduates trying to enter the workforce. This student loan debt crisis is a subject of increasing consideration, research, and analysis by federal government agencies, nonprofit organizations, economists, and the students who carry the balance. The extensive body of research from organizations, such as the Pew Research Center, includes staggering statistics that characterize the magnitude of the crisis for graduate and undergraduate students.

Student loan debt has surpassed $1.3 trillion and is rising by the minute.[1] Excessive student loan debt may affect students' career choice, diminish quality of life, negatively impact their ability to give back to their school or college of pharmacy and society at large, and delay progress on achieving other financial goals, such as saving for retirement. After all, approximately two out of five US adults (38%) paying off student loans are unable to save for retirement.[2] Suboptimal quality of life, symptoms of burnout and depression, emotional exhaustion, and increasing cynicism were commonly associated with a student's or resident's increasing educational debt in the results of a survey of US medicine residency programs and a cohort of internal medicine residents.[3,4]

While pharmacists make a good living, with an average annual income of $120,270 in 2016,[5] they, especially new practitioners, are often swimming in student loan debt. The average amount borrowed for students graduating from pharmacy school increased from $101,892 in 2009[6] to $163,494 in 2017.[7] Looking further at the amount borrowed by pharmacy students attending public or private schools, those graduating in 2017 from public schools reported borrowing an average amount of $136,328, compared with those graduating from private schools, who reported an average amount borrowed of $189,317.[7] This data, according to the American Association of Colleges of Pharmacy (AACP) Graduating Student Survey, asks respondents to report how much they will owe at the date of graduation. The question is stated as follows: "If you borrowed to help pay for your college expenses in the PharmD degree program, please estimate how much you will owe at date of graduation." The responses likely have a notable degree of variability based on the respondents' interpretation of the question. Some may interpret this to include total loan balance owed (undergraduate loans included) whereas others may assume it is only referring to expenses from the doctor of pharmacy (PharmD) program. In addition, some may include money borrowed for cost of living expenses, whereas others may interpret the question to refer only to borrowing costs related to tuition and fees.

Tuition increases in pharmacy education and higher education at large have played a significant role in rising student indebtedness. The average in-state annual tuition for schools and colleges of pharmacy almost doubled between the 2005-2006 academic year and the 2015-2016 academic year ($14,796 and $28,956, respectively).[8] The Center on Budget and Policy Priorities points to state funding cuts to higher education institutions as a main factor in rising tuition resulting to an increased cost burden placed on the borrower.[9] While pharmacist salaries have continued to rise each year, Cain and colleagues documented the annual salary of a pharmacist continues to be less in recent years in relation to overall student indebtedness.[10] For example, in 2016, the average pharmacist's salary was $120,270.[5] The average amount borrowed for a graduate in the class of 2016 was $157,425.[11] This salary-to-debt ratio of 0.76 is lower than that in 2011 (0.98), the first year the ratio fell below 1.0.[10] This may be explained by a variety of factors, including student utilization of more unsubsidized loans, higher interest rates for public and private loans, fewer scholarships and other financial aid available to students, and a rise in the amount

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borrowed to cover the necessary cost of living beyond tuition costs. As student indebtedness exceeds a pharmacist's salary, there is likely less net income available to a pharmacist per month that could be used to achieve a variety of financial goals such as paying off debt faster, saving for retirement, saving for a home or car, and charitable giving.

Chisholm-Burns and colleagues used Markov modeling to evaluate the value of a pharmacy education and associated costs on net career earnings. Despite rising indebtedness, this 2015 study concluded that obtaining a doctor of pharmacy degree does produce a favorable return on investment.[12] While the return on investment of a pharmacy education and career was shown to be favorable compared with that of someone with a high school diploma or a bachelor's degree in biology or chemistry, it can be assumed that the return on investment of the pharmacy degree is lessening as student indebtedness grows at a faster pace than does a pharmacist's salary.

Graduating medical students can relate to a graduating student pharmacist's strife. Between 2000 and 2012, the cost of medical school increased for public and private institutions at annual rates of 5.8% and 4.5%, respectively. In 2015, the median educational debt had increased to greater than $180,000, with 45% of graduating medical students owing more than $200,000.[13] In 1992, the median education debt of medical school graduates adjusted for inflation to reflect 2012 costs was $81,729. In 2012, the median educational debt more than doubled to $170,000, with 86% of graduates reporting educational debt.[14]

Limitations in the Current State of the Conversation

The conversation around rising student loan debt inevitably focuses largely on the cost of tuition, and specifically the role that for-profit institutions have played in the rising problem of student loan debt. Proposed solutions often involve cutting tuition. While options to address the rising tuition costs should be a major part of the overall solution, it cannot be the only solution we pursue. There are several other areas and potential opportunities beyond cutting tuition that are often left out of the discussion. Now is the time to broaden the conversation to identify solutions and help students facing significant financial challenges and stressors upon graduation.

Solutions for Broadening the Conversation Beyond Rising Tuition Costs

Borrowing for cost of living expenses. The amount borrowed in professional school for cost of living expenses can be just as high as the tuition and fees associated with obtaining a pharmacy degree. Depending on the institution, the amount borrowed for cost of living expenses (eg, room and board, transportation, etc.) can be upward of $20,000 per year or more.

If we look at a student who is attending a pharmacy program that costs $20,000 per year and he or she takes out another $20,000 per year for cost of living, that individual will have borrowed $160,000 in principal over four years. Unfortunately, with interest accruing on any unsubsidized loans, the amount due at graduation will be much higher. Therefore, let's assume a balance due of $180,000 (principal and interest) at the time graduation. If these loans were at 6% interest and the student selected the 10-year standard repayment plan,[15] he or she will have a monthly loan repayment of $1,998 for 10 years with a total payout of $239,804 in principal and interest. This assumes no other student loans such as those that may have been accrued during any undergraduate coursework.

If this same student instead borrowed half as much for cost of living expenses ($10,000), he or she would owe approximately $135,000 in principal and interest at graduation, pay $1,499 as a monthly loan repayment due for 10 years with a total payout of $179,853 in principal and interest. A total savings of almost $60,000 resulted from the minimization of borrowing for cost of living expenses. Reducing the amount of money borrowed for cost of living expenses may be accomplished by working during pharmacy school, obtaining financial assistance from family members, and/or acquiring scholarships. However, students should use caution in committing to work experiences outside of the requirements of their didactic and experiential training requirements that may distract from their academic success and/or progression to graduate on time. Faculty advisers and mentors should help students in navigating this decision to work and, if a student must work, how much may be appropriate.

In addition to seeking financial support from a job, family, and/or scholarships, students should be encouraged to employ any strategies that may minimize cost of living expenses such as establishing a budget, sharing books and supplies when possible, attending university-sponsored events that offer meals, carpooling to school and rotation experiences, living with one or more roommates to keep rent and utility costs down and delaying large expenses (such as purchasing a car) during school.

Considering loan types and interest rates. Although federal student loans aren't all that difficult to obtain these days, some students see an alternative option to borrow additional money to complete college in private loans.[16] Private loans often carry variable interest rates, have limitations on deferment, and do not offer income-based repayment plans[17] and loan forgiveness options like those available through the Public Student Loan Forgiveness (PSLF) program.[18] Schools and colleges of pharmacy should ensure that students understand the terms of their loans, how interest accrues based on the loans obtained, loan repayment options available, the pros/cons of those options, and if they may qualify for PSLF based on their career path. Students should be informed of the impact the interest rate has on their total loan balance and/or ability to pay those loans back after graduation. In recent years, many students have been borrowing via Direct Unsubsidized Loans with interest rates at or above 5%. This interest, accruing throughout school, becomes the full responsibility of the borrower, and therefore can significantly grow the total amount the borrower owes based on the total amount borrowed, the interest rate of the loan, and whether the borrower is able to pay off any of the interest during school. While borrowers and those assisting borrowers should be acutely aware of the amount borrowed for tuition, fees, and cost of living expenses, the interest rate on loans and the impact that rate has on the total amount paid by the borrower cannot be overlooked.

Increasing personal finance education. Assuming most new pharmacy graduates will work 40 years with an average raise (or cost of living adjustment) of 3% per year, it can be assumed that these individuals will earn approximately $9 million throughout the course of their career. If it is assumed that 30% of that income goes to federal, local and state taxes , health insurance premiums and the Federal Insurance Contribution Act (FICA) premiums, and another 5% goes into a 401(k) or other employer- sponsored retirement plan, approximately $6 million will make it into the bank account of the pharmacist over his/her career. Considering the median household income in the US in 2014 was $53,657,[19] it would take the average household approximately 60 years to achieve the same gross income one pharmacist will achieve in 40 years. That, in and of itself, justifies the need for schools and colleges of pharmacy to play a more active role in preparing graduates to wisely manage this income.

In a presentation at the 2000 American Association of Colleges of Pharmacy Annual Meeting, DeNuzzo and Denio noted the need for teaching personal finance material in pharmacy schools. This call for action is more relevant than ever before. They noted that students' needs for these skills had gone unaddressed likely because of a lack of viable initiatives, comprehensive efforts, or opportunities.[20] Schools and colleges of pharmacy should consider adding curriculum and co-curricular activities and guidance supplementary to that of the financial aid office to help educate students on the appropriate management of their finances. Schools and colleges of pharmacy have an obligation to ensure students understand the cost of borrowing money. Financial aid offices can and should play a pivotal role in these efforts, but the minimum counseling required when borrowing federal loans is not enough. Regular and routine reinforcement of these principles and support and encouragement from the school or college faculty and administration for student participation in financial aid counseling activities is critical to ensuring students take this counseling seriously and reap the benefits of these services.

A broad range of topics such as managing debt, accounting, budgeting, credit card comparisons, savings, insurance, personal property, tax returns, and benefits would be most meaningful to students. These activities and the topics covered should do more than increase knowledge or literacy. It is critical for these activities to influence behavior analogous to the provision of care to patients with diabetes provides knowledge to influence the proactive self-management and self-efficacy behaviors necessary to alter the course of their disease.

Unfortunately, it appears that opportunities during pharmacy school for students to develop an understanding of and the skills to manage their personal finances are not comprehensively available nationwide. Several colleges of pharmacy have personal finance elective courses available. An online search at the time of writing revealed the following schools with a personal finance course offering: Midwestern University College of Pharmacy-Glendale (PPRAG 1348: Personal Finance for the Health Care Professional), University of Hawaii at Hilo Daniel K. Inouye College of Pharmacy (PHFF 557: Personal Finance), University of Arkansas for Medical Sciences (PhPr 5702: Personal Finance), South Carolina College of Pharmacy (SCCP 764: Personal Finance), and Northeast Ohio Medical University College of Pharmacy (Personal Finance for the Student Pharmacist). Chui and colleagues described the elective course at Midwestern University College of Pharmacy-Glendale.[21] The 15-hour elective course covered financial goal setting, budgeting, managing debt, purchasing a home, tax considerations, insurance needs, retirement savings, investing and job selection. In addition to high student satisfaction with the material, students' financial literacy improved as measured by the Jump$tart Financial Literacy Survey. Further research is needed to evaluate how participation in a personal finance course affects how students manage their personal finances after graduation or their personal finance behaviors. Colleges that do not offer guidance in this area should explore curricular and co-curricular opportunities to further the education of their graduates.

Why is it so important that colleges play a large role in the personal finance education of its students? When pharmacists graduate, there is a paucity of holistic advice available to students because many (not all) financial advisers are interested in obtaining clients who are in a good position to invest their money. Many advisers require a minimum balance (eg, $100,000) to engage in the adviser-advisee relationship. Since most students have a negative net worth upon graduation with very little, if any, money to invest, new graduates often are left to manage their finances on their own. Financial advisers often are paid based on the assets under management and/or commissions when selling investment and insurance products. Therefore, by nature, the adviser may or may not be operating in a way that supports the best interest of the pharmacy graduate. While this potential conflict of interest is true for all adviser-client relationships, it is especially noteworthy for pharmacy graduates who are facing six figures worth of debt, often with a high interest rate, and are in need of holistic financial management and planning that spans goal setting to debt management to retirement savings. For example, if a student is $150,000 in debt with many unsubsidized loans at 6% interest or more, investing may not be the best decision. If a financial adviser is paid on managing assets, this individual may be motivated to recommend investing to build assets when in fact; paying off debt may be the top priority. Because of this, schools and colleges of pharmacy should carefully screen individuals coming in from the financial industry who are working with their students.

The Shared Responsibility. Every indebted student signed on the dotted line. They pushed the "accept" button every semester to borrow. To this end, it is the shared responsibility of the borrower to understand what their commitment is in signing and to making a wise decision on the potential return on investment for that decision. While the borrower has the primary responsibility, strategies can be taught and learned to educate an informed decision in these scenarios including parental influence, education by the loan servicing company and assistance by the financial aid office at the school or school of pharmacy.

CONCLUSION

When it comes to student loan debt, we are facing unprecedented times in pharmacy education. It is time to broaden the conversation about the roles schools and colleges of pharmacy can and should be playing in minimizing tuition increases, offering student scholarships and educating their graduates about how to wisely manage their money as they transition from student to new practitioner.

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