

Public Service Loan Forgiveness – What Hospitals Need to Know

The U.S. Department of Education recently updated its Public Service Loan Forgiveness (PSLF) program to allow eligible California physicians to participate, despite California’s prohibitions on physician employment by private nonprofit hospitals, clinics, foundations, and other health care entities.

Under the new regulations, the department has developed special definitions of an “employee” and a “qualifying employer” that are specifically intended to provide exceptions for California and Texas physicians who are prohibited by state law from being directly employed by hospitals, 1206(l) foundations, clinics, and other nonprofit health care organizations.

CHA has long advocated for these changes, which address an inequity for California’s physicians that has existed since the start of the program. CHA is working closely with the California Medical Association (CMA) to educate hospitals and physicians on the new requirements, including revisions to the definition of “employee” and “eligible employer” that will enable California’s nonprofit hospitals to certify physician employment under the PSLF program. **Detailed guidance and frequently asked questions are available on [CMA’s website](#).**

CHA urges members to share this information with physicians who provide services in your hospital and review key considerations for hospitals below.

■ Qualifying Employer Definition

To be included in the PSLF program employer database as an eligible employer, your organization must be one of the following:

- U.S.-based governmental organization at any level (federal, state, local, or tribal), including the U.S. military
- Not-for-profit organization that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code
- Not-for-profit organization (other than a 501(c)(3) organization) that provides certain types of qualifying public services

For purposes of PSLF, nonprofit hospitals, nonprofit 1206(l) foundations, and other nonprofit facilities and clinics that are barred by state law from directly employing physicians are considered “qualifying employers” of physician borrowers who provide services in those facilities even though physicians are not directly employed by that nonprofit entity. Physicians should list these entities as the qualifying employer on the application form, not the physician’s actual employer (sole proprietorship, partnership, or professional medical group corporation).

NOTE: Contracted physicians who provide services in – but are not directly employed by – California hospitals that are excepted from the state’s ban on the corporate practice of medicine (such as county hospitals and University of California hospitals) do not qualify for PSLF under this narrow exception. These hospitals would be considered “qualifying employers” for those physicians who are directly employed by the hospital.

■ Employee Definition

For purposes of PSLF in California and Texas — where certain nonprofit hospitals and other health care organizations cannot directly employ physicians due to the ban on the corporate practice of medicine — physicians can satisfy the department’s “employ or employed by” requirement in the new regulation under two scenarios:

1. The physicians’ for-profit sole proprietorship, partnership, professional medical group, or professional corporation has a written contract or written agreement to provide medical care in the nonprofit hospital, clinic, or organization (e.g., an exclusive contract to staff a service line or clinical department).
2. The physician individually has hospital medical staff privileges or other equivalent legal authorization to provide medical care at the nonprofit hospital, clinic, or organization.

■ Full-Time Employment

To be eligible for forgiveness under the PSLF regulations, a physician borrower must have made 120 qualifying payments on direct loans while providing services full-time (an average of 30 hours per week) in one or more PSLF “qualifying employer” facilities. It is possible to meet the “full-time” requirement by providing services part-time for multiple “qualifying employers” so long as the cumulative average total for such work adds up to at least 30 hours per week.

The Department of Education has not promulgated rules or instructions dictating the specific, acceptable forms of proof permitted to demonstrate the “full-time” requirement. Instead, it will largely be up to individual borrowers and their “qualifying employers” to

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agree on how best to fairly and accurately determine and attest to the amount of time a borrower has spent providing services. CMA's [detailed guidance](#) provides examples of how physicians might track their hours, such as reviewing weekly or monthly time sheets or on-call or department shift schedules. **CHA urges hospitals to work with their physician partners to develop internal policies to track full-time employment for PSLF certification purposes.**

■ Additional PSLF Resources

CHA encourages hospitals to review additional resources on the PSLF program requirements:

- [PSLF Form: Employer Tips](#)
 - Helpful tips for nonprofit hospitals, foundations, clinics, and other health care organizations that want to participate in PSLF as eligible “qualifying employers.”
- [Eligible Employer Database](#)
 - Search this database to determine if your organization is already listed as an eligible employer, by using the Employer Identification Number (EIN) your organization uses for payroll purposes.
 - The database will return one of four results: Eligible, Ineligible, Undetermined, or Not Found.
 - If you see that your organization is **eligible**, you should recommend that your employee use the [PSLF Help Tool](#) to generate their form for certification.
 - If you see that your organization is **ineligible**, you should review the eligibility criteria. If you believe that your organization should be eligible, provide your employee with documentation to upload with their request for eligibility review.
 - If you see that your organization is **undetermined or not found**, the department has not previously reviewed your organization's eligibility. Your employee can provide information when they use the [PSLF Help Tool](#), which will allow the department to make an eligibility determination. More information on documentation that can be provided to determine employer eligibility can be found on the [PSLF Employer Tips](#) web page.

■ For Additional Questions

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