



Capitol Insights Newsletter May 30, 2025

Author: Luke Schwartz and Matt Reiter

What Happened in Congress This Week?

Congress was out of session this week.

The Reconciliation Bill's Major Impacts on Higher Education

As part of the House's version of the reconciliation bill known as the "[One, Big, Beautiful Bill Act](#)," many provisions were included that mean massive changes for higher education. These changes are expected to have major implications for university and student finances. Further, these policies would have a direct impact on students pursuing medical degrees, clinical programs for allied health professionals, advanced science degrees, and undergraduate programs that feed into these advanced degrees.

Changes to Students' Access to Loans

As written, the bill would eliminate [subsidized loans](#) for undergraduate students, end [Direct PLUS loans](#) for graduate students, and significantly restrict [Parent PLUS loans](#). In essence, this makes it much more challenging for students to finance their education.

This aligns with another provision in the bill that sets lifetime borrowing limits for students. Under the proposal, federal loan caps would be set at \$50,000 for undergraduate programs, \$100,000 for graduate programs, and \$150,000 for professional programs (e.g. medical school).

Students will also need to max out their unsubsidized loans before parents are allowed to access ParentPLUS loans to help finance their children's education.

Supporters argue that, in the long run, this will pressure universities to lower tuition costs, as uncapped federal loan programs incentivized higher tuition. Opponents counter that tuition will remain high, and students will be pushed toward private loans that generally offer less favorable terms than those offered by the federal government.

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Furthermore, the bill proposes to cap student aid (including both Pell grants and loans) to the median cost of attendance across similar programs. This will make financial aid harder to access for more expensive programs, thereby creating barriers for who can attend these programs.

Pell Grants

Students must be enrolled on at least a half-time basis (at least 15 credit hours per semester or trimester) to be eligible for Pell Grants. The bill also sets new income requirements for determining Pell Grant eligibility. This is expected to lead to 700,000 students losing their eligibility.

Student Loan Risk-Sharing

This change has flown under the radar, but it might be one of the most significant. Under this part of the bill, colleges would be required to repay the federal government for a portion of their former students' unpaid federal loans. The potential ripple effects are significant: universities might admit fewer low-income students, phase out majors with lower earning potential, or increase tuition to cover potential liabilities. This uncertainty will pose new challenges for institutions' ability to manage their long-term budgets.

PROMISE Program

The bill proposes to create a new PROMISE program that pays institutions an award of up to \$5,000 per student aid recipient based on the institution's performance on measures related to low tuition and high earnings by their graduates. However, institutions are still expected to lose money overall despite this aid.

Changes to Loan Repayment

Currently, students have many options for repayment timelines. The bill would limit the options to two: a 10-year standard repayment plan and an income-driven plan with payments set at 10% of discretionary income for up to 25 years.

Loan recipients are all allowed to pay off their loans at a faster rate.

Additionally, the bill would change how repayments are treated under the Public Service Loan Forgiveness (PSLF) program. The bill ends the ability to count payments towards PSLF during medical school residencies, effective July 1, 2025. This would only apply to "new" borrowers on or after July 1, 2025. It does not apply retroactively.

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Endowment Tax Increase

The bill creates a tiered endowment tax system, with a progressive scale up to 21% for the wealthiest universities. For context, university endowments are currently taxed at 1.4%. This shift could significantly alter how universities are funded and force them to operate with tighter budgets. For example, endowment funds that currently support student scholarships may be reduced. The policy could also limit the resources universities can dedicate to student services and day-to-day operations.

Conclusion

Across the board, universities and related organizations starkly oppose these changes.

To reiterate, this bill is still not finalized and could undergo changes as the Senate develops its version of the bill. Given the impact of these higher education changes on medical schools and other healthcare-related higher education programs, *Capitol Insights* will continue to closely track these developments.

Top Stories in Healthcare Policy

HHS cancelled \$766 million in funding for Moderna's bird flu shot.

Department of Health and Human Services (HHS) Secretary Robert F. Kennedy Jr. says he might no longer allow government scientists to publish in leading medical journals and floated creating an in-house publication. Secretary Kennedy is particularly concerned about industry influence over these journals.

Planned Centers for Disease Control and Prevention (CDC) layoffs set for early June are now on hold due to a preliminary injunction. HHS is pausing all Reduction in Force (RIF) actions, including final terminations. Employees who received April layoff notices will remain on paid administrative leave or retain their current status until further notice.

CMS published data on the No Surprises Act's (NSA's) Independent Dispute Resolution (IDR) process for Q3 and Q4, 2024. This follows a similar data release for Qs 1 and 2 earlier this year.

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The MIPS Doctors and Clinicians Preview Period is open. This allows clinicians to preview their 2023 MIPS performance information before it appears on the profile pages of clinicians and groups on the Medicare.gov [compare tool](#) and in the [Provider Data Catalog \(PDC\)](#). Clinicians can access their secure preview on the [QPP website](#).

New [smart eyewear](#) is being tested that could reduce medical errors.

A new survey shows that [36% of employers](#) now cover GLP-1's for obesity and diabetes.

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