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May 29, 2013 Joint Committee on Finance Paper #350

Graduate Medical Education Program Grants (DHS -- Other Health Programs and Departmentwide)

[LFB 2013-15 Budget Summary: Page 250, #9]

CURRENT LAW

Graduate medical education (GME) programs, or "residency" programs, are supported primarily through federal Medicare payments to hospitals. The Medicare program provides funding for both the direct costs (salaries paid to interns, residents, and teaching physicians, teaching materials, classrooms and conferences) and indirect costs, which reflect estimates of additional patient care costs associated with training interns and residents. Medicare funding for residency slots at any GME program is currently capped at the levels in effect in 1996.

Wisconsin also funds direct GME costs in its reimbursement rates for inpatient hospital services under the state's medical assistance (MA) program. There is wide variation among states regarding how states treat direct and indirect GME costs in their respective MA programs. Private insurance companies also typically have higher negotiated reimbursement rates for teaching hospitals than for other institutions.

GOVERNOR

Provide $2,500,000 GPR annually for grants to support GME programs. This item includes funding for the establishment of GME programs, and to support grants to current GME programs, as described below.

Establish GME Programs. Provide $2,000,000 GPR annually for three-year grants to hospitals to establish GME programs. Require DHS to distribute these grants from a new GPR annual appropriation to help hospitals and groups of hospitals in developing accredited GME programs by improving infrastructure and increasing case volume. Direct DHS to distribute the

grants, for a term of up to three years, to hospitals and groups of hospitals that apply to receive a grant. Require applicants to satisfy grant criteria established by the Department, submit a plan for the use of the grant funds, and meet matching fund requirements determined by DHS.

Support Current GME Programs. Increase MA benefits funding by $500,000 GPR annually for DHS to distribute as grants for hospitals to maintain accredited GME programs. Require DHS to distribute grants to hospitals that apply for the funds in a form and manner determined by DHS, and that satisfy any other criteria established by the Department. Provide that only hospitals with an accredited GME program in family medicine, pediatrics, psychiatry, general surgery, or internal medicine would qualify to receive a grant. Limit the amount any hospital could receive as a grant funded from the GPR MA benefits appropriation, to $50,000 per state fiscal year. Require DHS to seek approval for federal MA matching funds to support these grants, and, if approved, distribute any federal funds received in addition to the state allocation.

DISCUSSION POINTS

1. Physician training includes four years of medical school, followed by several years of supervised graduate medical education as a resident in accredited program, typically in a hospital setting. The length of the program depends on the resident's field, with highly specialized areas requiring longer training periods.

2. Residency programs receive accreditation from the Accreditation Council for Graduate Medical Education (ACGME), a non-profit organization governed by a board of directors that includes appointees from the American Association of Medical Colleges, the American Medical Association, and the American Hospital Association. Standards for program accreditation vary by specialty, but include requirements regarding sponsoring institutions, program personnel and resources, resident appointments and transfers, educational programs, and resident and program evaluation. The accreditation process includes site visits to assess compliance with these standards.

3. Several groups have raised concerns regarding health care provider shortages in Wisconsin, and potential for that situation to worsen over the next several years due to an expected increase in individuals accessing health insurance coverage as a result of the enactment of the Patient Protection and Affordable Care Act (ACA).

For example, the Wisconsin Hospital Association recently analyzed the supply of, and demand for, physicians in Wisconsin based on a number of factors, including service utilization by provider type and demographic changes. That analysis suggested several scenarios, including a "middle estimate" of a 2,200 physician shortage by 2030, including a 1,800 physician shortage in the primary care field. While it is not clear how a shift in the relative utilization of certain provider types (from physicians to, for instance, nurse practitioners or physician assistants) or other changes in the health care delivery system over the next two decades would affect these estimates, the report illustrates the anticipated difficulty of finding sufficient provider supply to meet increased service demand.

4. As a way of addressing this potential shortage of physicians in Wisconsin, the bill would create two grant DHS programs related to residency programs: (a) $2,000,000 GPR annually

to help establish new residency programs in rural areas; and (b) $500,000 GPR annually to provide additional funding to current residency programs, with the possibility of receiving additional federal matching funds through the MA program. The goal of this increased support would be to encourage and enable more Wisconsin-trained physicians to remain in the state during residency, and consequently, throughout their careers to serve Wisconsin patients, lessen any potential physician shortage, and improve patient care.

5. The bill would also provide $878,000 GPR annually to the Medical College of Wisconsin (MCW) to expand MCW's existing family medicine programs in southeast Wisconsin, and develop a new family medicine program in northeast Wisconsin. This proposal will be discussed in a separate LFB budget paper.

6. The proposed grant program for establishing residency programs would be administered by the DHS Division of Public Health, and would provide $2,000,000 GPR annually. The purpose of the grants would be to assist hospitals and groups of hospitals to build the infrastructure and increase case volume needed to receive accreditation as a GME program. While DHS would have the authority to establish grant criteria, the recipient would be required to provide matching funds (in an amount set by DHS), and could only receive grant funds for no more than three years.

7. The administration indicates that it intends to distribute these grants to up to three groups of five rural hospitals (although that number is not specified in the bill). While the administration has had informal discussions on what hospitals may be interested in applying for these grant funds, it is not known which hospitals would apply for these grants. If three groups received funding in the first year of the program, an average of $666,700 GPR would be available to help establish a residency program.

8. In addition, the bill would provide $500,000 GPR annually to increase support for current residency programs in any of the following specialties: (a) family medicine; (b) pediatrics; (c) psychiatry; (d) general surgery; or (e) internal medicine. No hospital could receive a grant of more than $50,000 GPR in any state fiscal year. As with the grants for the establishment of GME programs, DHS would have authority to set the criteria for approving and distributing the grants. The bill would also require DHS to seek federal Medicaid matching funds, and distribute any matching funds in the same manner as it distributes the GPR funding. If the state qualified for Medicaid matching funds at the general matching rate for services in Wisconsin, a total of $1.25 million would be available for these grants.

9. In light of concerns regarding current and future projected physician shortages in the state, the Committee could adopt the Governor's recommendations (Alternative 1). Alternatively, Committee could decide to delete one or both grant programs, if it decided that this initiative is not a priority use of state funds (Alternative 3a and 3b).

10. The Committee could also consider modifications to the statutory requirements relating to the grants. Alternatives 2a and 2b identify two possible changes for the Committee's consideration. First, the Committee could specify that the grants be limited to the establishment of programs for any of the following specialties: (a) family medicine; (b) pediatrics; (c) psychiatry; (d)

general surgery; or (e) internal medicine. These are the specialties identified in the criteria in the bill for grants to existing programs. While the bill would authorize DHS to allocate funding for the establishment of any GME program, the focus of any program established by the administration's stated target group of small, rural hospitals would likely fit in one of those categories (Alternative 2a).

11. Second, the grant program for current GME programs limits grant amounts to no more than $50,000 to any hospital in a given state fiscal year. The Committee wanted DHS to have greater flexibility in determining grant amounts, it could delete this grant limit (Alternative 2b).

ALTERNATIVES

1. Adopt the Governor's recommendations

2. Adopt one or both of the following statutory changes.

a. Specify that the grants for the establishment of residency programs only be provided for the establishment of programs in the following specialties: (a) family medicine; (b) pediatrics; (c) psychiatry; (d) general surgery; or (e) internal medicine.

b. Delete the provision that would prohibit DHS from distributing more than $50,000 GPR in any given fiscal year to any hospital as a grant for current residency programs.

3. Adopt one of the following both of the following alternatives:

a. Delete funding and provisions relating to grants for the establishment of new residency programs (- $2,000,000 GPR annually).

ALT 3a	**Change to Bill** Funding
GPR	- $4,000,000

b. Delete funding and provisions relating to grants for current residency programs (-$500,000 GPR annually).

ALT 3b	**Change to Bill** Funding
GPR	- $1,000,000

4. Delete provision.

ALT 4	**Change to Bill** Funding
GPR	- $5,000,000

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