

GME 101

What You Need to Know About Graduate Medical Education in Texas

By The Texas Academy of Family Physicians

What is Graduate Medical Education?

Graduate medical education, or residency training, is the post-medical school training of physicians. Whereas medical school teaches physicians a broad range of medical knowledge, basic clinical skills, and offers limited experience practicing medicine, residency provides in-depth training in a particular specialty. Medical school graduates must complete one year of residency training to be licensed and most complete full residency programs (3 – 7 years depending on the specialty) to become board certified.

How is GME funded?

Graduate medical education funding is complex and opaque. GME is primarily financed through Medicare in the form of direct medical education payments (DME) and indirect medical education payments (IME) made to teaching hospitals. Other sources of funding include clinical revenue and state support.

Medicare GME: Medicare provides subsidies to teaching hospitals to support the residency training of physicians. Medicare DME payments to teaching hospitals cover a portion of the direct costs of training residents, including stipends, teaching physician and resident salaries and benefits, and educational activity costs. Medicare IME payments are intended as compensation for the anticipated higher cost of care teaching hospitals experience as a result of training medical residents.

Two fundamental problems with Medicare GME funding combine to jeopardize many primary care residency programs, especially family medicine programs. First, Congress capped Medicare GME funding as part of the Balanced Budget Act of 1997. With few exceptions, a teaching hospital can only receive Medicare GME funding for the number of residents it trained in 1996, and while many teaching hospitals have exceeded that

cap, they have mostly done so to create subspecialty training positions.

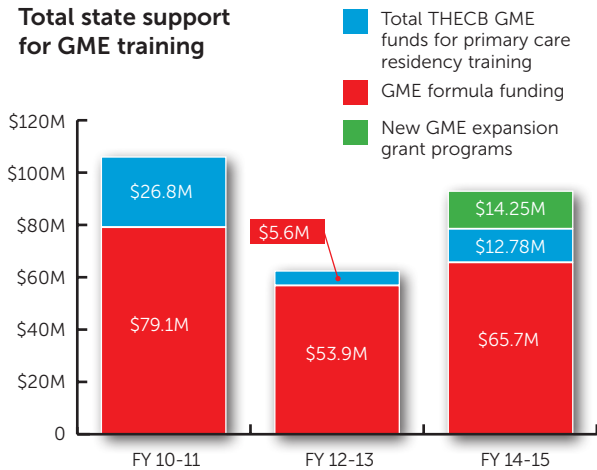
The other problem is that all Medicare GME payments are made to teaching hospitals. Therefore, as the Council on Graduate Medical Education stated in a 2010 report: “GME payments have been used to foster the clinical enterprises of the teaching hospitals, which are largely devoted to complex subspecialty care. There is little to no incentive in GME payments for education in primary care or in community-based ambulatory settings.”

Clinical Revenue: A growing revenue source to cover the cost of GME comes from clinical practice plans and patient care revenue. A significant portion of patient care residency programs provide is for Medicaid, CHIP, and Medicare beneficiaries, as well as the uninsured. As reliance on clinical revenue grows to offset cuts in federal and state support, teaching hospitals are forced to focus on programs that provide lucrative procedural services at the expense of less profitable primary care programs.

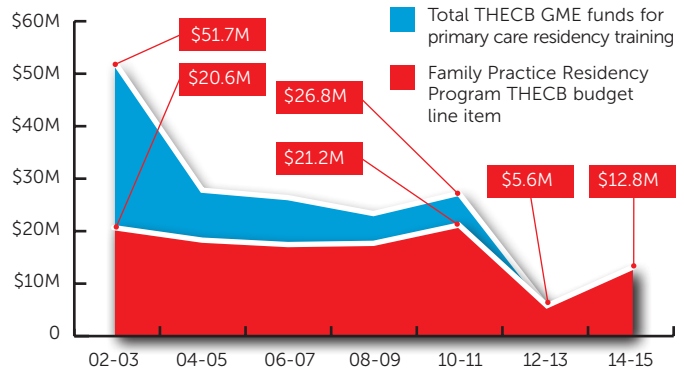
State Support: State support for GME has fluctuated greatly over the past 12 years, going from around \$120 million in 2002-2003 to as low as \$51 million in 2006-2007. State funding for GME in 2014-2015 is expected to be about \$97.2 million. Since 2006, medical schools have received some state support in the form of GME formula funding to cover a portion of faculty costs. In FY 2014-15, they will receive \$5,122 per resident, which is about 3 percent of the total cost to train a resident.

Trusted funds at the Texas Higher Education Coordinating Board designed to support family medicine and primary care have been cut drastically over the same time period. In 2002-2003, Texas spent \$51.7 million on a set of programs designed to increase our primary care physician workforce. Today all that remains is the Family Practice Residency Program fund, which was allocated \$12.78 million in the 2014-2015 state budget.

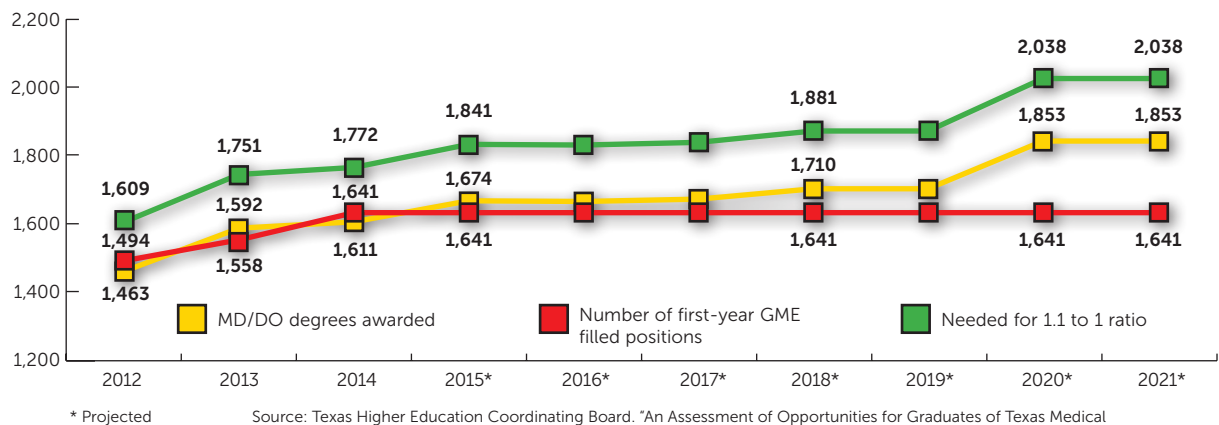
Total state support for GME training



Funding for primary care residency training administered by the Texas Higher Education Coordinating Board



Texas medical school graduates, first-year entering residency positions, and the target number of first-year residency slots needed to achieve a 1.1 to 1 ratio



What is the true cost of training a resident each year?

The cost of training a resident varies significantly by specialty and by program. Costs include resident salary and benefits, faculty salary, and overhead costs like malpractice insurance, administrative costs, and building maintenance.

Family medicine residents are among the most expensive to train because most of their training occurs in ambulatory medical clinics, which have higher overhead costs per resident than teaching hospitals where subspecialty residents are trained. THECB estimates that across all specialties, the average annual cost of training a resident is \$150,000.

Does Texas have an adequate number of first-year GME slots?

No. Texas spends \$45,000 per year for each student enrolled in a Texas medical school. That is a state investment of \$180,000 per student throughout the term of their medical education, an investment we lose when those medical students don't remain in the state to practice medicine.

But there is a looming problem: Texas is dangerously close to having more medical school graduates than first-year residency positions. If we don't address this widening gap, Texas is projected to produce about 450 more medical school graduates over the next five years than the number of first-year residency positions available for them. Those new doctors will be forced to leave the state to complete their residency training, and many will likely never return.

We know the best way to increase the number of physicians practicing in our communities is to recruit and train them right here. According to multiple studies 80 percent of doctors who attend medical school and complete residency training in Texas stay in Texas.

That's why the goal of offering 10 percent more first-year residency slots than the number of Texas medical school graduates is so important. To meet that goal, the state would need to create 200 new residency slots in 2015 and sustain them for years to come.

Legislative advertising is paid for by the Texas Academy of Family Physicians. For more information, contact Tom Banning, CEO/EVP, 12012 Technology Blvd., Ste. 200, Austin, Texas, 78727.