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FISCAL IMPACT REPORT

ORIGINAL DATE 02/27/09

SPONSOR Cote LAST UPDATED _____ HJM 9

SHORT TITLE Remove Medicare Med School Funding Caps SB _____

ANALYST Haug

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	NFI	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)
 University of New Mexico (UNM)
 Health Policy Commission (HPC)
 Department of Health (DOH)

SUMMARY

Synopsis of Bill

House Joint Memorial 9 requests the members of the New Mexico congressional delegation to support and promote measures to remove graduate medical education funding caps in medicare.

FISCAL IMPLICATIONS

No fiscal impact.

SIGNIFICANT ISSUES

The sixteenth report of the council on graduate medical education, "Physician Workforce Policy Guidelines for the United States", projects a significant gap between the expected physician supply and the demand for physicians in the nation.

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The New Mexico Health Policy Commission report, "HM2: State Funded Primary Care Residency Slots", estimates that although sixty percent of New Mexicans live in rural areas, sixty-four percent of New Mexico's physicians practice in the urban areas of Albuquerque, Los Alamos and Santa Fe.

Primary care providers are essential to an effective health care delivery system, providing crucial acute, chronic and preventive health care services.

The federal government funds graduate medical education largely through the federal medicare program, allotting funds to teaching hospitals.

According to the council on graduate medical education, if the number of medical school graduates increases without a corresponding increase in graduate medical education positions, medical schools and teaching hospitals will have little flexibility for expansion.

The University Of New Mexico School Of Medicine, established in 1961, is the only medical school in the state.

The University Of New Mexico Health Sciences Program reports that the family medicine residency program, with sites in Albuquerque, Las Cruces, Santa Fe and Roswell, has experienced substantial growth since its inception, with a very positive track record in graduating practitioners who remain in New Mexico and who practice in rural areas.

New Mexico communities are currently trying to recruit a substantial number of primary care providers, and the need for primary care providers will only increase with the aging of the population, changing demographics and the retirement of existing practitioners.

In order to meet anticipated future health care needs in the state, the University Of New Mexico School Of Medicine and the University Of New Mexico Hospital will require both flexibility and adequate funding from various sources, including graduate medical education funding.

Adequate graduate medical education funding would permit expansion of existing rural residency programs and an ultimate increase in the number of primary care practitioners in rural New Mexico.

In 1996, the federal Medicare program capped the number of residents that could be funded through graduate medical education at a teaching hospital.

Numerous calls for reform and innovation in graduate medical education have not resulted in removal of the funding caps.

The HED notes:

In 1965, when Congress enacted legislation that created Medicare, it assigned to the program functions that reach beyond its basic mission of providing health insurance to eligible populations. One of the most important of these functions provides substantial support to the training of new physicians through Graduate Medical Education (GME) programs, allotting most of these funds to major teaching hospitals.

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GME funds residencies through teaching hospitals in two ways:

Direct graduate medical education payments (D-GME) funds the direct cost of resident training including resident salary, fringe benefits, attending physician compensation, etc.

Indirect graduate medical education payments (IME) cover the indirect costs associated with training residents including ordering more tests, longer patient stays, sicker patient populations, and greater technological needs. The payments offset the lack of private insurance's contribution to GME.

Current laws concerning Medicare funding of GME prevent hospitals from creating new residency programs by instituting caps on the number of residents per hospital. Such caps do not adjust for population growth meaning there will be a lack of trained physicians for some specialties.

UNM states:

The University of New Mexico Health Sciences Center supports the proposed legislation to promote the removal of Medicare's 1996 cap on GME/ IME FTEs. UNM Hospitals has been over the FTE caps for quite some time.

For UNMH IME 1996 Cap is 253.62 while the CY FTEs are 309.19 Increasing the number of residents would result in est. increase of 55.57

For UNMH GME 1996 Weighted Cap is 276.59 while the CY Weighted FTEs are 307.09 Increasing the number of residents would result in est. increase of 30.50

According to the DOH:

In calculating the GME payment, Medicare allots a fixed number of residency education slots to each participating teaching hospital. Any residency slots in excess of this number do not receive GME reimbursement. In addition, additional residency slots in excess of the allotted number, even if paid from other sources of funding, could negatively impact the Medicare GME payment.

The number of allotted residency positions was originally calculated in the 1990s, based upon projections of physician supply available at that time. Subsequently, it has been shown that the projections were inaccurate, and that we have been preparing too few physicians for the country. The nation has not yet expanded the pipeline for physicians by expanding the number of approved residency positions. The request proposed by HJM9 would help focus the New Mexico Congressional Delegation on this Federal policy issue and its impact in the state.

The HPC notes:

The Shortage Designation Branch in the Health Resources and Services Administration (HRSA) Bureau of Health Professions National Center for Health Workforce Analysis develops shortage designation criteria and uses it to decide whether or not a geographic area or population group is a Health Professional Shortage Area (HPSA) or a Medically Underserved Area or Population (MUA or MUP).

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Every New Mexico County, except Los Alamos County, has a type of shortage designation. Of the 33 New Mexico counties, 18 have whole county designation and three have partial or total low income designations.

In New Mexico, the number of physicians increased from 3,858 in 2006 to 4,165 in 2007. The rate of physicians per 1,000 population increased from 1.92 in 2006 to 2.14 in 2007. However, 17 counties had less than one licensed physician for every 1,000 population in 2007.

GH/svb