Understanding and Developing New Residency Programs
Graduate Medical Education

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Introduction

• GME has become a financial and political issue in many states.
• GME-period of training, lasting from 3 to 9 years, follows medical school; prepares physicians for licensure and independent practice.
• Central determinant of physician numbers/types available in a state
• Major source of funding for teaching hospitals; and in many states has an impact on Medicaid costs.
• Expansion of managed care, growing competition in health care, and other developments brought GME issues to state capitals.
What is Graduate Medical Education?

• “GME” is a commonly used acronym.
• Formal hospital-sponsored education and training that follows graduation from medical school.
• Training occurs in a teaching hospital or other settings (FQHC) which has overall responsibility for GME programs.
• Responsibility is delegated to an administrative team and residency faculty.
Graduate Medical Education in US

• > 10,000 Residency and Fellowship Programs
• Approximately 130,000 residents and fellows in training programs
• Approximately 750 sponsoring institutions (majority are teaching hospitals)
• 136 specialty and subspecialty areas
Graduate Medical Education in US

The call for change and accountability in GME is getting louder with many entities suggesting or recommending that current system be changed.

**IOM**
One payment with incentives for primary care, specific placement of graduates, quality and safety.

**MACY Foundation**
Because GME is funded with public dollars, there should be greater public accountability.

**AAFP**
Advocates for GME payment changes, with emphasis on primary care.

**Washington**
- MedPAC
- President’s budget
- COGME
- Congressional Bills
<table>
<thead>
<tr>
<th>Type</th>
<th>Duration</th>
<th>Details</th>
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</thead>
<tbody>
<tr>
<td>Baccalaureate (BA, BS, etc.)</td>
<td>4 years</td>
<td>&quot;Pre-med.&quot;</td>
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<tr>
<td></td>
<td></td>
<td>Undergraduate/graduate studies.</td>
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<tr>
<td>Undergraduate Medical Education (UME)</td>
<td>4 years</td>
<td>&quot;Medical student.&quot;</td>
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<tr>
<td></td>
<td></td>
<td>First 2 years largely classroom-based.</td>
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<td>Second 2 years clinical experience-based involving “clerkships” at</td>
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<td></td>
<td></td>
<td>teaching hospitals.</td>
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<td></td>
<td></td>
<td>Culminates in medical school diploma.</td>
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<tr>
<td>GME</td>
<td>3–6 years</td>
<td>&quot;Resident.&quot;</td>
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<td>Assigned to a teaching hospital.</td>
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<td></td>
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<td>Predominantly clinical experience – supervised by faculty.</td>
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<td></td>
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<td>Lectures, conferences, and “grand rounds” focusing on patients.</td>
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<td>Resident participation in research projects required by many programs.</td>
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<td></td>
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<td>Culminates in eligibility for certification in a specialty.</td>
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<td></td>
<td>1–3 years</td>
<td>&quot;Fellow&quot; (often included in generic term “resident”).</td>
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<td>Highly focused “subspecialty” training.</td>
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<tr>
<td>Continuing Medical Education (CME)</td>
<td>Throughout</td>
<td>Medical Society/Other Programs</td>
</tr>
<tr>
<td></td>
<td>Medical Career</td>
<td>Throughout Medical Career</td>
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</tbody>
</table>
Multiple Products of GME

- Physicians training by residency programs sponsored by teaching hospitals have multiple products:
  - Training of physicians;
  - Educate medical students;
  - Care for poor and uninsured;
  - Conduct research and scholarly activity
  - Provide specialized services; and,
  - Provide economic stability to their communities through jobs and retention of practicing physician.
ACADEMIC MEDICAL CENTER
University
Medical School
Multiple Hospitals
Multiple Institutes
VA Medical Center

Analogous to University of New Mexico Medical Center

Detroit Medical Center
Southern New Mexico Family Medicine Residency

- Community-based Residency Program in Las Cruces, NM
- At Memorial Medical Center
- Active Family Medicine Clinic with dedicated Faculty
- Training Full Service Family Physicians
- Pediatric Hospitalist Service
- Pharmacy Residency Program
Sample Residency Lengths

- Family medicine – 3 years
- Emergency medicine – 3 years
- Internal Medicine – 3 years
  - IM subspecialties – 3 years
- Pediatrics – 3 years
  - Ped. subspecialties – 3 years
- OB/GYN – 4 years
- Pathology – 4 years
- Anesthesiology – 4 years
- Dermatology – 4 years
- Neurology – 4 years
- Ophthalmology – 4 years
- Psychiatry – 4 years
- Radiology – 4 years
- Orthopedic surgery – 5 years
- Otolaryngology – 5 years
- Surgery – 5 years
  - Surg. subspecialties – 3 years
### GME Funding

- **Majority of funding is from Medicare**
- **Other sources**
  - Medicaid FFS
  - VA and DoD
  - Teaching Health Centers
  - Philanthropy

<table>
<thead>
<tr>
<th>DME Payment</th>
<th>+</th>
<th>IME Payment</th>
<th>=</th>
<th>Total Medicare GME Payment</th>
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</thead>
<tbody>
<tr>
<td>To recognize the direct GME-related costs incurred by the teaching hospital.</td>
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<tr>
<td>Medicare’s share of direct:</td>
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<tr>
<td>» Resident salary and fringe benefits.</td>
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<td>» Faculty compensation for resident teaching and supervision.</td>
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<td>» Allocation of hospital overhead.</td>
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<td>» Other direct allowable costs.</td>
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<tr>
<td>» Administrative personnel.</td>
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<td>» Office supplies.</td>
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<tr>
<td>» Teaching materials.</td>
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<tr>
<td>» Travel.</td>
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<tr>
<td>To recognize the indirect costs of GME programs borne by the teaching hospital.</td>
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<td>Related to inefficiencies caused by:</td>
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<td>» Additional tests ordered by residents.</td>
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<td>» Additional duties imposed on hospital staff.</td>
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<tr>
<td>» So forth.</td>
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DME reimbursement is determined via the following formula. Critical factors include number of residents and the hospital’s cost structure and percentage of Medicare inpatient days.

\[
\text{DME Payments} = \text{Number of Residents} \times \text{Hospital-Specific, Base-Year Cost per Resident} \times \text{Inflation Factor} \times \text{Medicare Percentage of Inpatient Days}
\]

The actual number of residents is claimed on a hospital’s Medicare cost report and payments are made periodically by CMS.
IME reimbursement is largely determined by a coefficient set by CMS, reflecting the percentage by which teaching hospitals’ costs of care increased in the presence of GME programs.

IME Payments = 1.35 \times \left[ 1 + \frac{\text{Number of Residents}}{\text{Number of Available Beds}} \right]^{0.405} - 1 \times \text{Medicare DRG-Based Payments, Including Outliers}

IME payments are built into hospitals’ DRG rates.
Value of GME

- Quality Patient Care on Teaching Service
- 24 Hour In-house Patient Care
- Care for the Medically Indigent
- Succession planning for future physicians
- Future physicians to practice in the community
  - Bonding to the community hospitals
  - Community awareness
Policy at State Level

• Strategic
  • Texas creates a permanent fund to sustain and expand GME (S.B. No. 18) which also set priorities
  • Amendments to State Medicaid Plan
  • Inventory of programs

• Economic
  • Intergovernmental Fund Transfers
  • Encouraging communities and foundations to participate in funding

• Programmatic
  • Building a panel of experts

• Operational
  • Creating educational consortia
  • Grant applications
  • Philanthropy support
Rising Tide Floats All Boats

A Rising Tide
Building an economy that lifts all boats
Questions