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The facts: graduate medical education

What is GME?

Graduate medical education (GME), or residency training, is the second phase of the educational process that prepares doctors for independent practice in a recognized medical or surgical specialty. Resident physicians typically spend three to seven years in GME training following a four-year medical school education. This means it can take 11 years or more beyond high school to educate physicians before they enter practice. UC's five academic medical centers provide this specialized and supervised training.

Teaching hospitals, including those operated by UC, represent only five percent of all hospitals nationwide, yet they provide nearly 30 percent of all charity care at a cost of approximately $7.9 billion annually.[1] Academic medical centers operate more than 70 percent of all burn care and 70 percent of Level-1 trauma centers. These services, together with inpatient and outpatient psychiatric care, disaster and emergency services, and essential health research contribute substantially to improving health outcomes.

Why is GME funding part of Medicare?

Since 1965, Medicare has been the largest single funder of GME, recognizing the significant direct and indirect costs of educating physicians.

- Direct GME (DGME) includes salaries and benefits for residents, faculty time and administrative costs to run training programs.
- Indirect GME (IME) includes those costs unique to teaching such as the use of additional testing and advanced technology from which residents learn, while recognizing that teaching hospitals treat a more complex mix of patients (e.g., in burn units, trauma centers).

UC Health at a glance

5 academic medical centers
4th-largest delivery system in California
60% of patients days at UC are for patients covered by Medicare, Medicaid or who lack health insurance
UC Health supports **117,000 jobs**, generates **$16.7 billion** in economic activity, provides **$305 million** in charity care

UC residency training slots

Medicare-funded slots for residents: **2,161**
Slots over the Medicare cap: **497**
Additional UC Over-the-cap costs: **$49 million**

UC is training tomorrow's physicians

In 1997, Congress capped the number of residency slots for which hospitals could receive Medicare GME funding and has not increased this cap since. Over the next 15 years, more than 25 million Americans are projected to become eligible for Medicare and millions more will gain access to care through health reform. As a result, the nation is estimated to face a physician shortage as high as 94,000 by 2025.[2] In California, it has been estimated that an additional 8,200 primary care physicians will be needed by 2030.[3]

- UC Health is the nation's largest academic health system with five hospital systems, including UC Davis, UC Irvine, UCLA, UC San Diego and UC San Francisco. UC trains nearly half of California's medical students and residents. In support of this teaching mission, UC hospitals transfer approximately $400 million to their medical schools annually.
- UC medical centers contribute substantially to the training of nearly 5,000 resident physicians annually. California leads the nation in retaining physicians after completion of residency training, with approximately 70 percent of those who train in California remaining in the state to practice.

- Across total UC GME enrollment, more than 2,600 positions are based at UC hospitals, with the balance distributed across affiliated Veterans Affairs and community hospitals. This includes 497 positions for which UC receives no federal GME support. As a result, in 2014-15, UC covered roughly $49 million in unreimbursed costs for training 497 residents above the cap.
- UC receives approximately $100,000 in GME payments for each position – a total of $273 million, or more than 13 percent of UC medical centers' Medicare revenue – yet total costs to train a resident average nearly $150,000 annually, leaving UC medical centers to cover the roughly $126 million difference.

GME and Federal Legislation

President Obama's FY 2017 Budget Proposal proposes to reduce Indirect Medical Education payments by 10%, beginning in 2017, and grant the Health and Human Services (HHS) Secretary the authority to set standards for teaching hospitals receiving GME payments "to encourage resident training in areas of emerging need." According to the budget estimate, this would save $17.8 billion over 10 years. This proposal would require legislative action by the Congress, which has not, as of this date, advanced this proposal.

HR 3292 (Brady, TX-8), introduced on July 29, 2015, would have restructured IME payment calculations. According to the Association of American Medical Colleges (AAMC), this recalculation of IME would have resulted in reductions in payments to hospitals over time. This bill has not been heard in Committee.

Children's Hospital Graduate Medical Education (CHGME)

Established in 1999, CHGME provides funding to eligible (private) freestanding pediatric teaching hospitals who are ineligible for Medicare GME. Currently 57 hospitals nationwide participate, including UCSF Benioff Children's Hospital Oakland. In contrast with Medicare GME, CHGME is funded through the annual appropriations process. On April 7, 2014, President Obama signed S. 1557, "The Children's Hospital GME Support Reauthorization Act of 2013," which reauthorizes the program through FY 2018. The CHGME appropriation funding level for FY 2016 is $295 million.

Strengthen GME for the future

The need for doctors has grown, but federal support has not kept pace. Caps on residency positions have a chilling effect on the ability of teaching hospitals to respond to physician workforce needs. California has approximately 12.2 percent of the nation's population, yet only 8.6 percent of the medical residents and fellows. **If California's share were proportional to the national average, the state would have an additional 4,200 medical residents and fellows.**

The University of California supports reforms to improve how the U.S. funds and operates physician training programs and encourages Congress to preserve and sustain support for GME, balance the investment in primary and specialty care training, and devote resources to expand GME training in both specialties and regions with demonstrated shortages.

[1] Teaching hospitals referenced include only AAMC-member teaching hospitals

[2] "The Complexities of Physician Supply and Demand: Projections from 2014 to 2025" prepared by IHS Inc. for AAMC, April 5, 2016

[3] "California: Projecting Primary Care Physician Workforce" September 2013, The Robert Graham Center: Policy Studies in Family Medicine and Primary Care