

Residency cap limits the supply of physicians

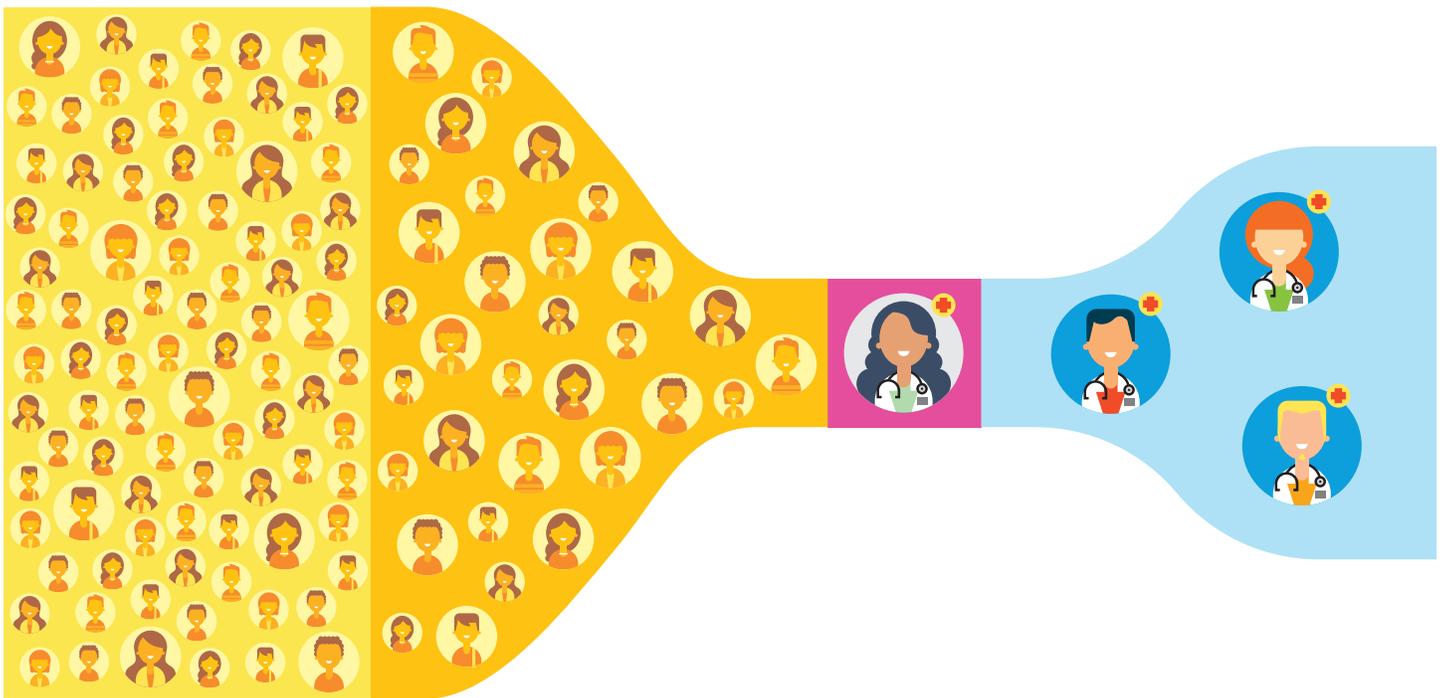
There's a bottleneck that prevents more physicians from entering the workforce — it's the cap on Medicare-funded residency positions.

This cap, established by Congress in 1997, has remained unchanged despite significant overall growth in the U.S. population, a large wave of seniors with more complicated health needs, an expansion of health insurance coverage and a shortage of physicians as more providers retire.

University of California Health (UCH) urges Congress to lift the outdated, artificial cap on Medicare-funded residency positions.

Congress should also reject attempts to consolidate specialized programs in Medicare, Medicaid and children's hospitals into one overarching, federally funded Graduate Medical Education (GME) program — such proposals would only worsen America's looming physician shortage.

Residency bottleneck prevents some medical school graduates from being licensed to practice medicine



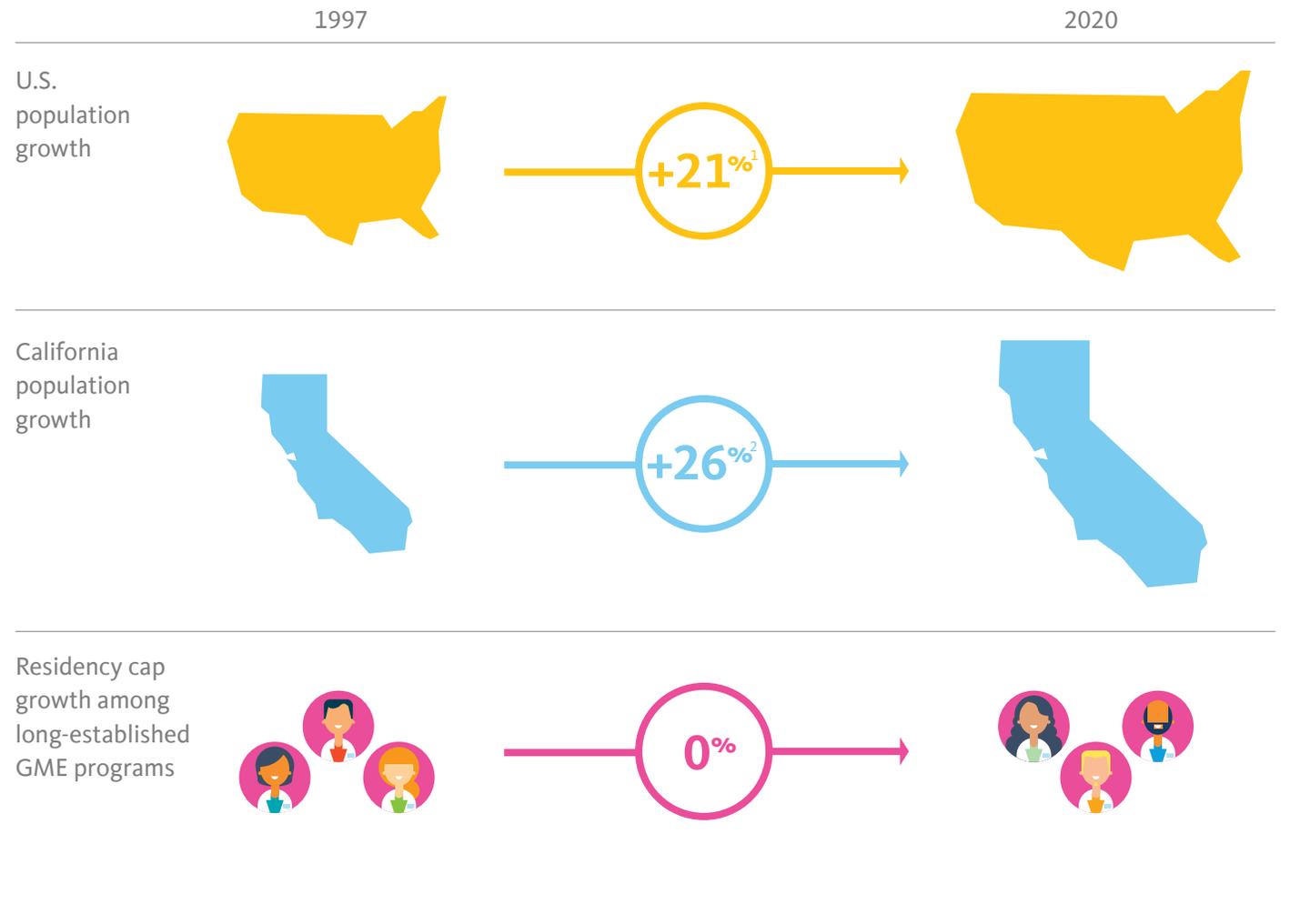
Undergraduate program Medical school Residency program Licensed to practice independently

The process of becoming a physician is a long one. Although medical school is a foundational element, that's not the end of their medical training. Medical school graduates must also enter a three-to-seven year residency training program to be licensed and practice independently. The residency period is when a recently graduated M.D. receives intensive, hands-on training

from a supervising physician in a specialty such as orthopedic surgery, psychiatry or pediatrics.

In California, there are nearly 11,000 residency slots, with UCH accounting for more than half of them. Recognizing the urgency of the situation, UCH began adding unfunded medical residency slots and absorbing the cost.

California population growth vs. U.S. population



Historically, federal funding for medical residencies began in 1965 as part of the Social Security Act. The bottleneck was created when Congress passed the Balanced Budget Act of 1997, which capped the number and geographic distribution of Medicare-funded residencies among existing training programs, referred to in the federal budget as Graduate Medical Education (GME), at 1996 levels.

The artificially low cap of funded medical residency slots is a national health concern, as the number of residency slots is not sufficient

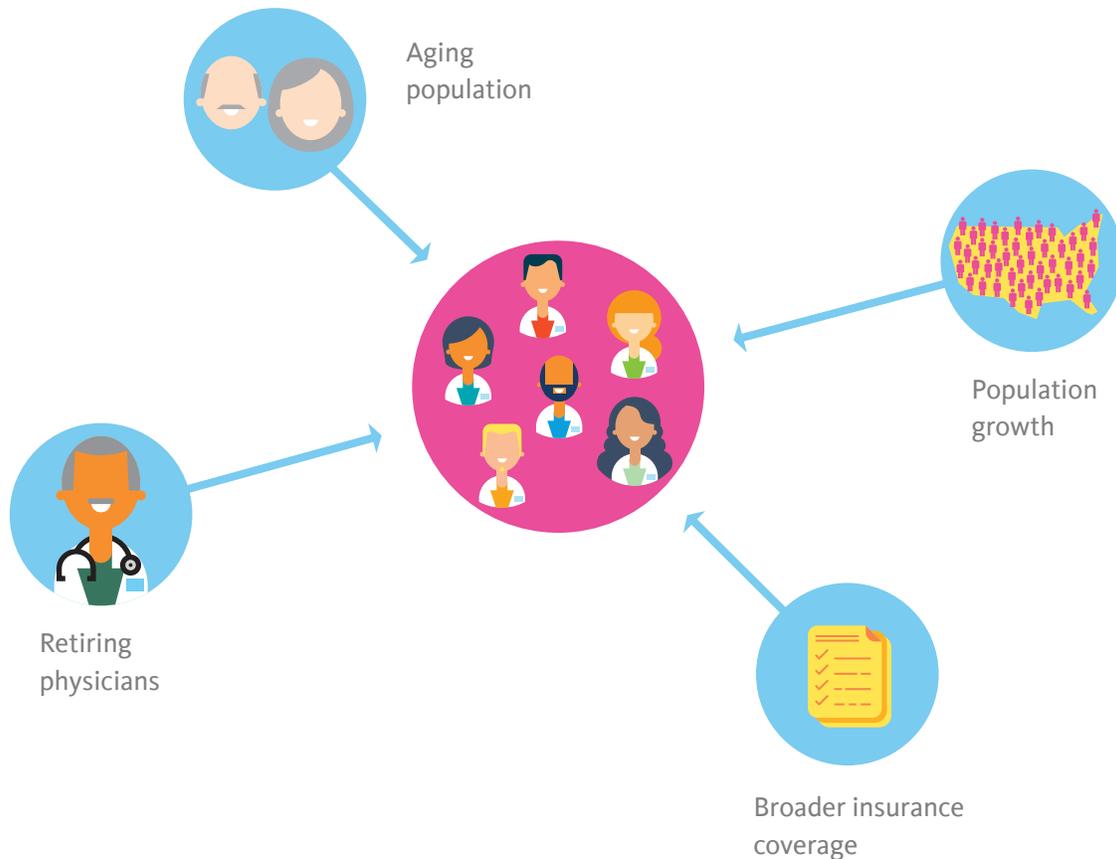
to replace physicians who are approaching retirement, to compensate for growth in our population or to add physicians in rural and underserved communities.

At current rates of physician production, there is likely to be a national shortage of more than 42,000 physicians by 2030, with 8,200 of that shortfall in California.³ Meeting the national need would require adding nearly 3,000 additional federally funded residency positions each year for the next five years.

Although enrollment in medical schools has increased, many of these newly trained physicians will not be able to enter the physician workforce because there are too few federally funded residency positions.

¹ Source: U.S. Census Bureau, 1997 Population Profile of the United States; Population Projections U.S. Population Clock January 2020

Four macrorends creating a shortage of licensed physicians



While federal GME funds are often supplemented by states through Medicaid, California does not provide such funding. UCH bears the additional cost without reimbursement, dramatically increasing how much the university spends on its residents and residency training programs.

Considering that the cost to train the average resident is approximately \$150,000 per year, this equates to \$450,000-\$1 million or more for the entire three-to-seven year residency period.

Of the 5,687 physician residents in training at UCH, 594 slots receive no federal GME support. This results in at least \$70 million in unreimbursed expense borne by UCH each year.

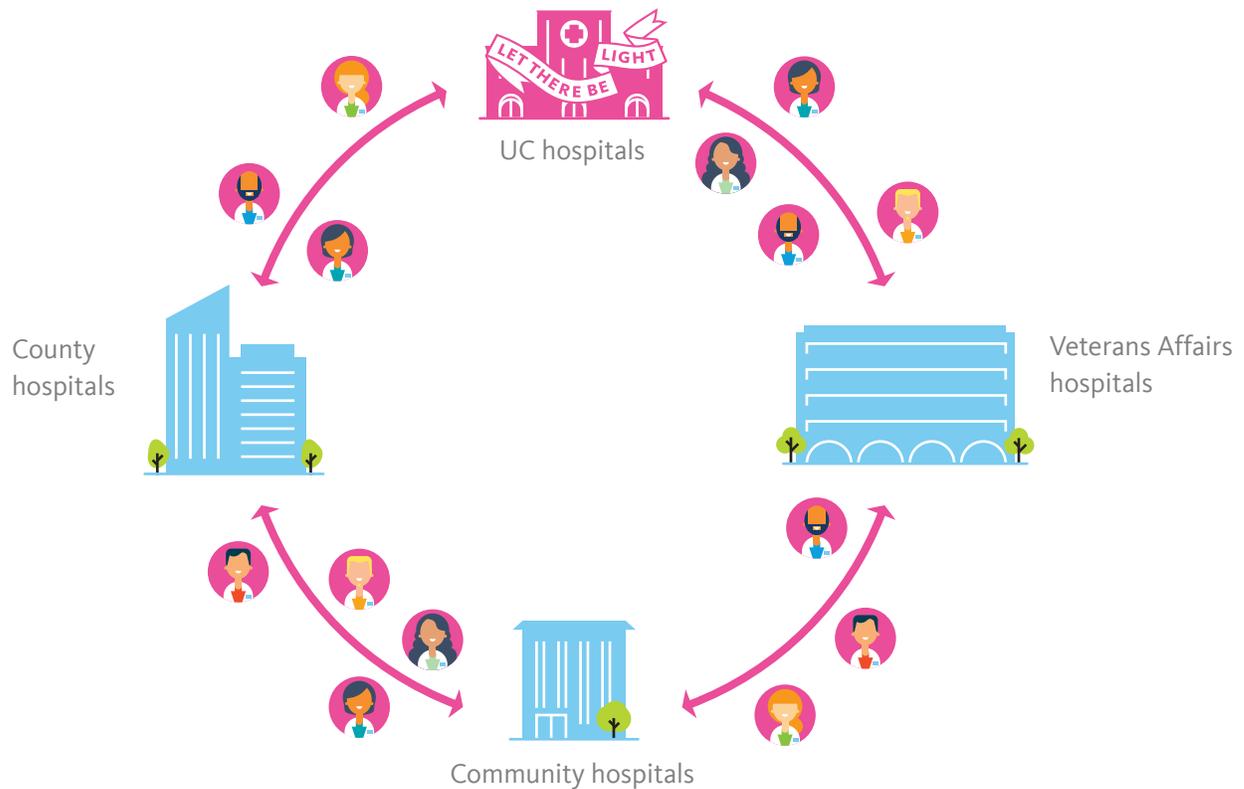
If the federal government increased its investment in GME, University of California Health could continue training the larger cohorts of physicians that will be needed in the future, while enhancing the health care services that residents provide in our communities today.

Because of the GME cap, UCH expends \$70 million per year to fund additional medical residency training slots. This is not sustainable.

² Source: U.S. Census Bureau, 1997 State and Metropolitan Area Data Book, 32.26 million; California Department of Finance 2020 projections, 40.46 million

³ Source: Association of American Medical Colleges, The Complexities of Physician Supply & Demand: Projections from 2016 to 2030, Mar. 2018.

UCH residents provide care in county hospitals, community hospitals and Veterans Affairs hospitals



UCH physician residents not only provide patient care in UC facilities but also rotate through county hospitals, Veterans Affairs (VA) hospitals, community hospitals and specialty clinics — magnifying the significance of how GME program funding directly impacts Americans’ health today and in the future.

States have a vested interest in residency programs because physicians tend to practice in the same state as their residency program.

Approximately 77 percent of UCH medical residents are expected to remain in the state after completing training or education, based on historical patterns.

Increasing the number of GME slots — and raising UCH’s residency cap — would enable more doctors to complete their final step of training and help ease the shortage of physicians in the nation’s workforce.

University of California Health residents provide patient care beyond the walls of UC hospitals. At any point in time, 20 percent of residents are in county hospitals, 20 percent are in community hospitals and 20 percent are in VA hospitals.

About the University of California Health (UCH)

University of California Health is one of the nation’s largest academic health systems. It is comprised of six academic health centers, six medical schools, and 13 health professional schools.

Each year, it provides care to more than 375,000 people

through its emergency departments, admits more than 172,000 people for inpatient care and provides more than 7.6 million outpatient visits.

To learn more, contact UC’s Office of Federal Governmental Relations at (202) 974-6300.