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.

UC urges Congress to lift the outdated, artificial cap on Medicare-funded residency positions.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

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, oncology or pediatrics.

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

While federal GME funds are often supplemented by states through Medicaid, California does not provide such funding. UC 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 5,540 physician residents in training at UC Health, 594 slots receive no federal GME support. This results in at least $59 million in unreimbursed expense borne by UC Health each year.

If the federal government increased its investment in GME, UC 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 resident cap, UC expends $59 million per year to fund additional medical residency training slots. This is not sustainable.
UC residents provide care in county hospitals, community hospitals and Veterans Affairs hospitals

UC Health 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 UC 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 UC Health’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.

About the UC Health system

UC Health is one of the nation's largest academic health systems. It is comprised of five academic medical centers, six medical schools and a dozen health science schools. Its hospitals annually care for 370,000 people through its emergency departments, admit more than 170,000 for inpatient care and provide nearly 5 million outpatient visits.

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