STATE GRADUATE MEDICAL EDUCATION FUNDING

BACKGROUND
Following the successful completion of medical school, osteopathic medical students continue their training as medical residents. The current single largest funder of graduate medical education (GME) is the Department of Health and Human Services (HHS) through the Centers for Medicare and Medicaid Services (CMS). The federal government contributes approximately $9.5 billion in Medicare funds and approximately $2 billion in Medicaid dollars to help pay for GME. Additional funding is provided by the Department of Defense, the Department of Veterans Affairs and the U.S. Public Health Service. In providing Medicare funding, Congress has acknowledged that training physicians is a public good. Despite that acknowledgement, there have been periodic calls to remove GME from Medicare and Medicaid and secure other sources of funding.

Medical schools, hospitals and medical associations see a need to increase funding and residency slots to help train physicians and fill projected workforce shortages, and are working at both the state and federal levels to achieve increased GME funding. However, federal GME funding has been frozen since Congress’ adoption of the Balanced Budget Act of 1997. Therefore states have started to examine funding for additional GME slots as a strategy for workforce development and physician retention. With 47.4% of physicians staying or returning to the state where they completed their GME, this has the potential to provide a significant return on investment in maintaining adequate health care access. This is especially true when compared to the retention rates for undergraduate medical education, where only 38.7% of students remain in the state where they graduated. States that have public medical schools without adequate GME funding are using taxpayer dollars to fund the undergraduate training of physicians, only to risk those graduates leaving the state to complete their training and practice.

There are two mechanisms in which Medicare and Medicaid distribute GME funding: direct medical education (DME) and indirect medical education (IME) payments. DME payments are based on resident salaries, supervision and other educational costs. IME payments are based on additional operating costs of a hospital with a GME program. Despite being under no obligation to do so, Medicaid is the second largest contributor to GME programs. Several states have implemented mechanisms within their Medicaid programs to supplement federal funding of GME. The most

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1 Health Policy Brief: Graduate Medical Education. Health Affairs, August 16, 2012.
2 Id.
3 Physician Education Advancing Community Health Brief, AOA Division of State Government Affairs, January 2013.
6 Id.
7 Medicare Direct Graduate Medical Education (DGME) Payments, Association of American Medical Colleges. https://www.aamc.org/advocacy/gme/71152/gme_gme0001.html
recent data available estimates that Medicaid payments from states and the District of Columbia totaled $3.87 billion in 2012, up from $3.78 in 2009. From that, at least half came from matching federal payments.

In 2005, 47 states provided $3.18 billion through Medicaid to support GME. By 2012, only 42 states and the District of Columbia (DC) supported GME through their Medicaid program. Arizona, Massachusetts, Montana, Rhode Island, Vermont and Wyoming have since ended GME funding, citing budget shortfalls. Additionally, some states like, Iowa, Michigan, Oregon and Pennsylvania, have discussed ending Medicaid support for GME. Others, like Florida and Washington, have decreased Medicaid funding for GME in the last few years.

AOA POLICY
The AOA has enacted several policies relating to state graduate medical education funding. Below is the entire text of shorter policy statements, as well as the title of a longer policy statement with the full version available in AOA’s policy compendium.

H315-A/09 GRADUATE MEDICAL EDUCATION – TRAINING OF US MEDICAL SCHOOL GRADUATES
The American Osteopathic Association advocates for the elimination of limitations on the number of funded graduate medical education positions to accommodate increases in US medical school enrollment; places great emphasis on establishing graduate medical education opportunities for osteopathic medical school graduates in geographic areas that lack adequate training capacity currently; and will advance policies that would limit the number of funded graduate medical education positions available to foreign and/or international medical graduates to 15 percent of the total number of funded graduate medical education positions by 2015.

H251-A/08 OSTEOPATHIC GRADUATE MEDICAL EDUCATION
The American Osteopathic Association urges its member physicians to support hospitals that provide osteopathic postdoctoral training programs which are an integral part of osteopathic medical education. 1998 revised 2003; 2008; reaffirmed/BOGMED 2013

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10 Health Policy Brief, supra.
12 Henderson 2013, supra.
13 Metzler, supra.
14 Henderson 2010, supra.
15 Henderson 2013, supra
16 Metzler, supra.
H230-A/07 OSTEOPATHIC GRADUATE MEDICAL EDUCATION (OGME) PROGRAMS
The American Osteopathic Association opposes any federal or state law or regulation that would prevent the development of additional osteopathic graduate medical education programs or training positions and will continue to take all measures possible to prevent the termination of distinctive osteopathic training programs. 1997; revised 2002; 2007; reaffirmed as amended 2012

H208-A/12 RESIDENCY FUNDING – ADDITIONAL METHODS OF
The American Osteopathic Association will study, develop and promote additional funding methods for osteopathic graduate medical education (OGME). 2012

H252-A/04 RESIDENCY TRAINING SLOTS
The American Osteopathic Association will work toward (1) Health Maintenance Organizations (HMOs) being encouraged by the appropriate state agency to provide funding for graduate medical education (GME) training programs and (2) encouraging state societies to introduce and support the enactment of the Physician Education Advancing Community Health (PEACH) program model legislation developed by the Bureau of State Government Affairs to effect changes in funding GME training programs. 1999; revised 2004; 2009

H308-A/13 STATE GRADUATE MEDICAL EDUCATION (GME) FUNDING ALTERNATIVES

RECENT ACTION
The AOA has worked recently with several state and specialty organizations to support physician workforce development initiatives across the country. These efforts have taken place in states such as California, Florida and Washington.

In 2013, Florida proposed $80 million for a graduate medical education program in the state. The proposal though did not originally include GME programs accredited by the AOA. The AOA and Florida Osteopathic Medical Association met with the Governor’s office and members of the state legislature to gain AOA recognition. This funding was approved and has been successfully implemented. 17

In California, the state’s budget adopted in 2014 includes $7 million in funding for primary care residency slots. 18 As originally implemented the additional funding would not have been provided to AOA programs. The AOA instead worked with the Osteopathic Physicians and Surgeons of California to add language to a cleanup bill that would provide access for AOA programs. The language was successfully added, and the bill has passed the legislature and been presented to the Governor.

Finally, the AOA and the Washington Osteopathic Medical Association (WOMA) successfully amended legislation that would have only provided funding to the University of Washington School of Medicine in order to create family medicine residencies in rural and underserved parts of the

18 State Budget Includes $7 Million for Primary Care Residency Slots, California Medical Association, June 17, 2014, available at http://www.cmanet.org/news/detail/?article=state-budget-includes-7-million-for-new
state. The Pacific Northwest University of Health Sciences, College of Osteopathic Medicine is also located in the state, and the AOA and WOMA were able to secure an amendment that would have included the school in the legislation. Unfortunately, the bill did not pass before the end of the legislative session.

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