Nevada Hospitals Graduate Medical Education

Presentation to

Legislative Committee on Health Care

January 8, 2014

by Bill Welch, President & CEO

Nevada Hospital Association

Agenda

- What is Graduate Medical Education (GME)?
- What is the history of GME in Nevada hospitals?
- What costs do hospitals incur and how much do hospitals pay annually for GME programs in Nevada?
- How do hospitals get reimbursed for GME?
- How will healthcare reform impact GME?
- How can Nevada grow their GME programs?
  - What elements do hospitals need to consider when establishing a GME program?
- What are the barriers to expanding GME programs and how can they be overcome?
- Questions?

Graduate Medical Education (GME)

- What is it?
  - Bachelors degree – 4 years
    - Student pays tuition
    - Education is received in a classroom
  - Medical School – 4 years
    - Student pays tuition
    - First 2 years - additional class room education
    - Second 2 years - training in various patient care settings by both medical school faculty and community physicians
    - No direct patient care responsibilities
  - **Graduate Medical Education** (Residency/fellowships) – Between 4-7 years (generally)
    - Student is paid a salary
    - Training in various patient care settings by both medical school faculty and community physicians
    - Primary patient care responsibilities

NHA Nevada Hospital Association

History of Residency Programs in Nevada Hospitals

	2012-13**	2002-03**
• Internal Medicine	123.45 FTEs	
• Pulmonary/Critical Care	4.64 FTEs	
• Family Practice	31.00 FTEs	
• Surgery	28.18 FTEs	
• Neurology	7.42 FTEs	
• Ophthalmology	6.49 FTEs	
• Emergency Medicine	23.92 FTEs	
• Psychiatry	7.74 FTEs	
• Pediatrics	37.00 FTEs	
• OB/GYN	12.19 FTEs	
• Orthodontics***	18.35 FTEs	
• Other	13.90 FTEs	
• Positions to be matched*	48.28 FTEs	
Total	362.56 FTEs	151.24 FTEs

Nevada Hospitals and Schools of Medicine added over 200 resident/fellow FTEs over 10 years

* These FTEs were not filled in 2012/13 and, for the most part, were new FTEs redistributed by Medicare and are being filled over a 4-year period.

**FTEs listed above include the total residents & fellows in Nevada hospitals' programs for the cost-reporting period regardless of year of training.

***Orthodontics and podiatry are GME programs that Medicare does not cap the FTEs or slots.

NHA Nevada Hospital Association

Nevada GME programs by Hospital

	2012-13	2002-03
• University Medical Center	189.90	103.14 FTEs
• Valley Hospital Medical Center	82.15	-0-
• Sunrise Hospital & Medical Center	16.00	16.00
• St. Rose Dominican Hospitals-Siena*	18.35	-0-
• Renown Regional Medical Center	56.16	32.10
Total	362.56	151.24 FTEs

*St. Rose Dominican Hospitals–Siena Campus has an Orthodontic GME program which is one of the programs that Medicare does not cap.

What are the costs hospitals incur to support GME?

Hospitals pay the following GME costs:

- Direct expenses
  - 100% of salaries, benefits, malpractice insurance, for residents/fellows
  - Portion of faculty and administration staff support
- Indirect expenses
  - Higher utilization of services (lab tests, imaging, etc.)
  - Length of stay
  - Hospital administrative time, space, food, etc.

NHA Nevada Hospital Association

How much do Nevada hospitals pay annually for GME programs?

Direct costs in 2012-13

- Residents & fellows $20,115,000
  - Includes 100% salaries, benefits, malpractice for 295.93 filled FTEs
- Faculty 5,822,000

Total direct program expense $25,937,000

Indirect costs (no industry method to estimate)

- Increased utilization of diagnostic testing and length of stay
- Other: administrative time, space, food, etc.

How do hospitals get reimbursed?

Historically

- Medicare and Medicaid reimbursed their proportionate share of hospital costs for graduate medical education
- Over the past 20+ years, government programs have continued to reduce or eliminate what they reimburse for GME in order to balance their budgets

Medicaid

- In 2008 Nevada Medicaid eliminated GME reimbursement
  - Hospitals were paid a proportionate share from a statewide pool of $800,000

NHA Nevada Hospital Association

How do hospitals get reimbursed?

Medicare

- Medicare reimburses for direct expenses based on:
  - Proportion of Medicare days to total days
  - Caps payment per resident
  - Caps number of FTEs or slots a hospital has approved
  - Uses 3 year average FTEs to minimize reimbursement for growing programs
- Medicare reimburses for indirect expenses based on:
  - Complex formula that uses resident FTEs to available beds
  - Caps number of FTEs or slots a hospital has approved
  - Applied to Medicare DRG payments

Note: Beginning in 2014 Medicare GME payments will be subject to sequestration reductions

NHA Nevada Hospital Association

Impact of Health Care Reform

Demand for physicians is expected to increase with more people having access to coverage along with the aging of our population

Supply of physicians has been limited nationally due to limits on government funding

However, healthcare reform:

- May include redistribution of resident slots for expanding programs focused on:
  - Primary care (would include pediatrics and OB/GYN)
  - General surgery
- Focus is in states with low GME residents to population ratios (Nevada in the lowest 5 in the US)
- Does not add any new slots (only redistributes slots) and only funds indirect medical education at 50%

NHA Nevada Hospital Association

How can Nevada grow their GME programs?

- For existing programs
  - Short term - Obtain local or state funding to expand
    - Existing programs are capped in the number of FTEs and the dollars per FTE that they can be reimbursed
  - Long term – Apply for redistributed slots if/when Medicare opens an application process
- For hospitals with no GME program
  - Evaluate if it makes sense clinically and financially for the hospital to start a GME program
  - Now have 5 years to ramp-up the program to the size that it will be capped going forward

NHA Nevada Hospital Association

What elements do hospitals need to consider when establishing GME programs?

- Breadth and volume of clinical experience available at the hospital for resident training

  (i.e., cardiac, intensive care, obstetrics, pediatrics, etc.)
- Medicare payer mix (usually greater than 40%)
- Number of admissions (usually greater than 15,000)
- Other factors (i.e., severity of physician shortages, readiness of community doctors to participate in resident training, etc.)

What are the barriers to expanding GME programs in Nevada?

- Hospitals with the most diverse clinical experience already have capped GME programs

- Due to overall financial pressures on hospitals in Nevada, (high uninsured, low Medicaid payments, etc.) hospitals must rely on GME funding to cover the costs of the program
  - Medicaid eliminated GME funding
  - Medicare continuously limiting/reducing GME funding

What can Nevada do to overcome these barriers?

- Reinstate Medicaid funding for GME
  - Establish a method that reimburses hospitals Medicaid's proportionate share of the cost of the program
- Advocate with our U.S. Congressional representatives to support
  - No additional GME funding cuts
  - Redistributing FTEs/slots to Nevada hospitals

NHA Nevada Hospital Association

Questions?