California Department of Health Care Services
Proposed May Revision Trailer Bill Legislation

Designated Public Hospital Graduate Medical Education Program

FACT SHEET

Issue Title: Designated Public Hospital Graduate Medical Education Program (DPH GME). The DPH GME program aims to improve service delivery for Medi-Cal beneficiaries in Medi-Cal managed care settings by providing financial support to train and retain health care professions in California.

Background: GME is a supervised hands-on training for interns, residents and fellows who are enrolled in accredited medical or dental programs, in advanced practice nursing or other allied health professional programs, or who are pursuing advanced specialty training until they become independent and licensed practitioners. The length of this training varies depending on specialty, but generally lasts three to five years. Hospitals that train new health care providers incur significant costs beyond those customarily associated with patient care and often absorb the cost of that training.

The Medicare program currently provides additional payments to providers as specific compensation and support for their efforts in GME, but only for the Medicare portion of those costs. The Medicare enactment of direct and indirect GME identified the importance of reimbursing the extra costs incurred at teaching hospitals to support the development of health care professionals and ensure seniors’ ability to access the care they require. Most states support GME through their Medicaid programs. California, despite being the state with the second largest number of teaching hospitals and residents in the nation, does not currently have a Medicaid GME payment program due to the changes in hospital financing ushered in with required federal changes in 2005. In accordance with Title 42 Code of Federal Regulations § 438.60, the Department of Health Care Services (DHCS) is authorized to make new GME payments to Designated Public Hospitals (DPHs) and their affiliated government entities.

DHCS is committed to improving health care delivery systems for Medi-Cal beneficiaries. The number of Medi-Cal beneficiaries enrolled in Medi-Cal Managed Care plans has grown to 10.7 million. In an effort to promote the delivery of high-quality care to Medi-Cal beneficiaries and all Californians, it is important to support the training of health care professionals. Without adequate financial support, the ability to retain health care professionals in California and improve access to needed medical services may be impacted.

Justification for Change: This legislative proposal is necessary for DHCS to implement a GME program in California.
DPHs currently fund the costs related to medical education through hospitals’ finances which creates financial and administrative burdens for hospitals whose primary focus should be to provide high quality care to Californians. Contributing to the issue is the high number of Medi-Cal Managed Care beneficiaries needing access to health care services offered by DPHs.

This proposal is a continuation of California’s effort to maintain and improve access to healthcare services. With an increase in Medi-Cal managed care beneficiaries, growth in medical discovery, and changed expectation about the way physicians and patients partner and interact, there is a demand for innovative change in medical education and health care delivery. Further, with a projection of between a 61,700 to 94,700 shortage of physicians by 2025, healthcare delivery and access to those services will be impacted. Shortages of physicians or medical professionals to treat Medi-Cal managed care beneficiaries could lead to an increase in Medi-Cal program costs overall.

This proposal addresses the need to promote access to health care services for Californians. DPHs and their affiliated government entities play a leading role in training the next generation of doctors and other health care professionals such as nurses and paramedical professionals, who are critical to new team-based care models that achieve more efficient and patient-centered care. States other than California recognize the need to have adequate access to physicians and have implemented supplemental GME payments.

DHCS proposes to implement a strategy in providing GME payments to DPHs, at no cost to the state General Fund, by adding Section 14105.29 to Welfare and Institutions Code, which would authorize the following:

- Additional Medi-Cal payments outside of DHCS’ payment obligation to Medi-Cal Managed Care plans or DPHs and their affiliated government entities in recognition of Medi-Cal Managed Care share of GME costs.
- The direct component of GME payments will be made in recognition and support of direct costs incurred in the operation of GME programs, which may include, but are not limited to, salaries, benefits, physician oversight, and allocated overhead costs incurred for interns and residents in medicine, osteopathy, dentistry, podiatry, nursing, and allied health/paramedical programs.
- The indirect component of GME payments will be made in recognition and support of the increased operating and patient care costs associated with teaching programs.
- GME payments will be inflation adjusted as cost of services will fluctuate.
- DHCS will determine the maximum amount of GME payments with consultation with the DPHs.

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1 Association of American Medical Colleges, the Complexities of Physician Supply and Demand: Projections from 2014 to 2025, April 5, 2016.
• The interim GME payments will be made on a quarterly basis and reconciled at the end of the fiscal year to determine the final amounts due to the DPHs.
• In determining the GME payments, the methodology may include the volume of fee-for-service Medi-Cal services and revenue that do not recognize GME costs.
• The nonfederal share will be voluntary intergovernmental transfers provided by the DPHs that will be deposited in a GME special fund.
• A portion of the intergovernmental transfers will be used to reimburse the department’s administrative costs in implementing the GME program, and to otherwise support the Medi-Cal program.
• DHCS will seek federal approval from the Centers of Medicare and Medicaid Services for GME payments with an effective date no sooner than January 1, 2017.

Summary of Arguments in Support:
• Recognizes the important role in training and addressing the medical education costs necessary in providing health care services to Medi-Cal beneficiaries.
• Supports the ability of DPHs to increase the number of experienced health care professionals both in primary and in specialty care.

BCP or Estimate Issue # and Title: PC #. Graduate Medical Education.