



Federal Graduate Medical Education (GME) Funding

The need for interim, commensurate federal graduate medical education (GME) funding for children's hospitals

RATIONALE:

Children's teaching hospitals with their own Medicare provider number face a mounting crisis — while all teaching hospitals are struggling a serious decline in payers willing to directly or indirectly pay for the costs of graduate medical education (GME), freestanding children's hospitals alone are facing this challenge without significant federal GME support. Medicare, the current major source for the academic mission of adult teaching hospitals, does not substantially benefit these children's hospitals because they have so few Medicare patients. On average, freestanding children's hospitals such as ours receive 1/200 of the funding adult teaching hospitals receive. Medicaid in some, not all, of the states, has paid a portion of its share of the direct costs of GME; but that support is disappearing in many states as Medicaid moves to managed care. Negotiating higher rates to encompass the costs of teaching is increasingly impossible in the private market.

IMPACT ON ANN & ROBERT H. LURIE CHILDREN'S HOSPITAL OF CHICAGO:

Ann & Robert H. Lurie Children's Hospital of Chicago trains approximately 75 general pediatric residents each year. Ann & Robert H. Lurie Children's Hospital of Chicago receives approximately \$303 per resident per year despite having a teaching program that is comparable in size and twice as intense in teaching as other teaching hospitals. In 1997, Ann & Robert H. Lurie Children's Hospital of Chicago invested \$11.2 million in its GME program. Our federal reimbursement from Medicare was \$44,000. Our Medicaid reimbursement for GME was \$1.4 million. As a result, we lost \$9.76 million on our teaching program. Independent freestanding children's hospitals that do not share a Medicare provider number with an adult institution are placed in an untenable financial position.

WHERE IS THE CONGRESS ON GME FOR CHILDREN'S HOSPITALS?

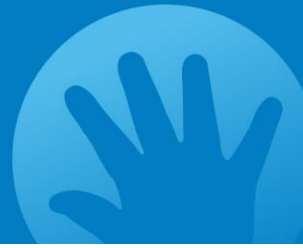
The federal government has recognized the importance of payer financing for GME through Medicare. The expansion of managed care and an increasingly competitive health care market highlights the need for broader financing mechanisms. Congress has directed both MedPAC and the Bipartisan Commission on the Future of Medicare to look at GME and consider its reform, including mechanisms for support for GME in children's hospitals. However, their recommendations and actual GME reforms may be years away. The immediacy of the GME problem for children's hospitals calls for an interim solution, until broader reform can be achieved.

THE SOLUTION:

Ann & Robert H. Lurie Children's Hospital of Chicago urges the Congress to support the introduction and enactment of federal legislation to provide interim, commensurate federal support for graduate medical education until Congress enacts comprehensive GME reform for all teaching hospitals. Following is a legislative proposal that we believe addresses the current GME funding system which grossly under funds free standing children's hospitals.

SUMMARY OF THE LEGISLATION:

The legislation would create a time-limited, capped, federal source of funding for graduate medical education in freestanding children's hospitals, commensurate with federal graduate medical education funding provided to other teaching hospitals, until such time as broader graduate medical education financing mechanisms which encompass children's hospitals are established.



SPECIFICATIONS OF THE LEGISLATION:

A discretionary appropriations fund of \$285 million per year would be established for a period of five years, beginning FY2000. Payments to each children's hospital would be provided from the fund by the Secretary of the Department of Health and Human Services for the direct and indirect expenses associated with operating approved medical residency training programs. The amount of payments would be determined on the basis of the national Medicare direct and indirect medical education payments made to teaching hospitals on a per resident basis in FY1998, adjusted to reflect the variations in area wages according to Medicare principals. This base year per resident payment would be updated to FY2000, and in subsequent years, in accordance with Medicare PPS updates. If funds are insufficient to provide for such payments, the Secretary will reduce the payments on a pro rata to the extent necessary for payments to equal the budget authority. If the funds are less than the authority allows, the unobligated funds will be carried over for payments in subsequent years. Recognizing current trends in proposed graduate medical education reforms, the capped nature of the fund would provide no incentive to expand residency programs. Basing payments on a national average, adjusted only for area wages, would address concerns about inequities in per resident payments on historical data. The time-limited nature of the fund would be in keeping with its intent to serve as an interim solution to a current crisis until such time as broader based graduate medical education financing mechanisms and reforms which encompass these children's hospitals are in place. The fund would terminate should comprehensive reform be enacted.