GME and Deficit Reduction
...the saga continues

MAME
November 30, 2011
Christiane A. Mitchell
112th Army - Navy Game

- Go Army, Beat Navy!
- December 10
- Washington, DC
- Always meet on “Neutral Territory”
- Is Howell Michigan’s “Neutral Territory”? 
Why so much concern?  
The Budget Deficit

Assumes Current Policies:

- Moderate recovery
- 29% cut in Medicare physician payments
- Tax cuts and AMT fix expire / are not extended

Source: Congressional Budget Office. (Figure corrected on February 15, 2011.)

$1.5 Trillion  
9.8% of GDP
Total Mandatory Spending 2010 vs. 2021
(Under Current Policies, In Trillions)

2010
- Medicare*: $450 Billion
- Medicaid: $270 Billion
- Social Security: $700 Billion
- All Other

2021
- Medicare*: $860 Billion
- Medicaid: $590 Billion
- Social Security: $1.27 Trillion
- All Other

* Includes Medicare offsetting receipts such as premiums
** For example, nutrition programs, federal retirement benefits, student loans, VA benefits, FDIC, etc.
A Few Other Issues in Play

- 2012 Presidential Election
- 2012 House Elections
- 2012 Senate Elections
  - Not much interest in either cutting or expanding federal spending
  - Particularly unlikely to cut any programs for seniors (AARP)
  - Highly unlikely to increase taxes
- Lame Duck November 2012 to mid-January 2013
9% Approval Rating Also Paralyzing Congress

Things are so bad these days that even Congress hates Congress

✓ Sen. Lindsey Graham (R-SC): “It’s so bad sometimes I tell people I’m a lawyer”
✓ Freshman Trey Gowdy (R-SC): “We’re below sharks and contract killers”
✓ Rep. Patrick McHenry (R-NC): “I want to know who the 9 percent are. I’m afraid they have drivers’ licenses.”
Budget Control Act of 2011

• Signed August 2, 2011

• Increased debt limit to $2.1 trillion through 2013

  ✓ Capped (cut) discretionary spending by $900 billion over next 10 years

  ✓ Mandated another $1.2 to $1.5 trillion in deficit reduction by “Super Committee”
Rep. Jeb Hensarling (R-TX), Co-Chair
- Republican Conference Chair
- Obama Fiscal Commission

Sen. Patty Murray (D-WA), Co-Chair
- Chair, Democratic Senatorial Campaign Committee
- Senate Budget Committee
- Senate LHHS Appropriations Subcommittee

Sen. Max Baucus (D-MT)
- Chair, Senate Finance Committee
- Obama Fiscal Commission
- Biden Deficit Talks
Rep. Xavier Becerra (D-CA)
- Ways and Means Committee
- Obama Fiscal Commission

Rep. Dave Camp (R-MI)
- Chair, Ways and Means Committee
- Obama Fiscal Commission

Rep. James Clyburn (D-SC)
- Assistant Democratic Leader
- Biden Deficit Talks
Sen. **John Kerry** (D-MA)
- Senate Finance Committee

Sen. **Jon Kyl** (R-AZ)
- Assistant Minority Leader
- Senate Finance Committee
- Biden Deficit Talks

Sen. **Rob Portman** (R-OH)
- Senate Budget Committee
- Bush OMB Director
Sen. Pat Toomey (R-PA)
• Senate Budget Committee
• Joint Economic Committee

Rep. Fred Upton (R-MI)
• Chair, Energy and Commerce Committee

Rep. Chris Van Hollen (D-MD)
• Ranking Member, Budget Committee
• Biden Deficit Talks
Super Committee Process

Submit Legislation Identifying $1.2 Trillion in Deficit Reduction by November 23

Yes

Legislation Fast-Track Through Congress
(no amendments or filibusters)

No

January 1, 2013
Automatic Cuts are “Triggered” for FYs 2013-2021
50% Defense/50% Non-Defense
Excl. Medicaid, Social Security;
limits Medicare cuts to 2%
"On the Table" During Negotiations

Medicare:

- **GME**: Up to $60 billion in cuts via reduced IME and/or DGME payments (up to $6 billion annually for AAMC institutions)
- **Bad Debt Reimbursement**: $14 - $26 billion in cuts by reducing or phasing out payments (up to $1 billion annually for AAMC institutions)

Medicaid:

- **FMAP**: Up to $100 billion in cuts via “blended” FMAP rates
- **Provider Taxes**: $26 - $51 billion in cuts by phasing down or eliminating provider taxes
## Three AAMC Institutions: Super Committee Medicare Proposals

<table>
<thead>
<tr>
<th>Institution</th>
<th>IME cut</th>
<th>Bad Debt</th>
</tr>
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<tbody>
<tr>
<td>NE1</td>
<td>$32 million/year</td>
<td>$ 2.5 million/year</td>
</tr>
<tr>
<td>MidAtl1</td>
<td>$47 million/year</td>
<td>$ 1.1 million/year</td>
</tr>
<tr>
<td>West1</td>
<td>$31 million/year</td>
<td>$ 2.3 million/year</td>
</tr>
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</table>
**Estimated Medicare Reductions Under 2% Cut**
*(effective January 1, 2013)*

<table>
<thead>
<tr>
<th>Current Medicare Levels</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Average COTH Medicare PPS Payment</td>
<td>$133 million/year</td>
</tr>
<tr>
<td>Average Faculty Practice Medicare Revenue</td>
<td>$162 million/year</td>
</tr>
<tr>
<td>Average COTH IME Payment</td>
<td>$17.6 million/year</td>
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</table>

<table>
<thead>
<tr>
<th>Potential Impact of 2% Reduction</th>
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<tbody>
<tr>
<td>Average COTH Medicare PPS Reduction</td>
<td>$ 2.7 million/year</td>
</tr>
<tr>
<td>Average Faculty Practice Medicare Reduction</td>
<td>$ 3.2 million/year</td>
</tr>
<tr>
<td>Average COTH IME Reduction</td>
<td>$0.4 million/year</td>
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</table>
AAMC Urges Congress, Administration to Keep America’s Health a Top Priority

“As Congress and the administration continue to work to address the nation's fiscal health, we urge them to keep the health of the American people a top priority.

America’s medical schools and teaching hospitals support a balanced approach to deficit reduction. Simply relying on cuts to spending to solve the debt crisis will have severe consequences for immediate access to health care in our communities, as well as our future ability to sustain the health care workforce and advance medical research and discovery. **Resolving America’s budget deficit requires a balanced approach combining revenue increases along with carefully considered spending cuts.**

We urge our nation's leaders to take advantage of the time they still have to find a thoughtful approach to deficit reduction that puts the long-term needs of the country ahead of short-term proposals that will hurt the health of communities for years to come. **We welcome the opportunity to work with lawmakers on this critical national issue.**”
Moving Forward: Possible Scenarios for GME

- Must be finalized by January 1, 2013 (when 2% Medicare cut implemented)
  - Legislation to block Medicare cuts under the trigger
  - Legislation to exempt GME from cuts under the trigger
  - Legislation that preserves GME and uses a portion of IME to support the transformation of physician training (HIT use, quality/safety curricula, multi-professional training)
  - Legislation to reduce the level of GME cuts
  - Determine whether the 2% Medicare cut for “payments for services” includes GME
Next Steps...Much Like the Past Year

- **You and your organizations** are our best advocacy partners!
- In addition to sending nearly 87,000 email messages to Congress urging their opposition to GME cuts...
Your Voice Matters!

Medical training programs under pressure from budget cuts

Doctor shortage threatens U.S. and Ohio: The Changing Face of Medicine

Residency program cuts could worsen Texas doctor shortage

Cleveland teaching hospitals brace for hit from proposed federal budget cuts

Proposed Medicare cuts make Florida medical schools worry about doctor training

Administration Offers Health Care Cuts as Part of Budget Talks

Teaching hospitals targeted in budget talks

Medicare cuts would affect area institutions. 'It's serious. It's big,' says one CEO.

July 24, 2011 | By Tim Darragh, Of The Morning Call
Federal cuts could derail plans to train future doctors, design efficient health care delivery systems

Says Dr. Darrell Kirch of the AAMC

Editorial: Medical schools only part of cure

Michigan is nearly doubling its number of med schools, but residency shortages are the real problem

The Detroit News

We Can't Afford to Train Fewer Doctors

Opinion: Graduate medical education funding means 'the doctor will see you now'

The Wall Street Journal

Teaching hospitals can’t bear aid cuts

Protect our patients' access to physicians

The Boston Globe
Examples Will Be Powerful

• From one AAMC Member:
  ✓ Reduce staffing by 8% (approximately 385 FTEs or $25 million)
  ✓ Reduce our residency programs by 75-100 residents
  ✓ Further reduce or close mental health services and other services with low or negative contribution margins
  ✓ Decrease access to select ambulatory services, such as sickle cell, geriatric, coagulation clinics, CHF clinics etc
  ✓ Decrease access to transfers from surrounding community hospitals seeking specialized service
## Economic Impact (will be updated)

<table>
<thead>
<tr>
<th>State</th>
<th>Aggregate IME Loss (in millions)</th>
<th>Lost Jobs</th>
<th>Lost State/Local Tax Revenues (in millions)</th>
<th>Total Economic Impact/Loss (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>$29.2</td>
<td>689</td>
<td>$6.2</td>
<td>$103.4</td>
</tr>
<tr>
<td>Delaware</td>
<td>$12.6</td>
<td>350</td>
<td>$3.2</td>
<td>$52.5</td>
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<tr>
<td>Florida</td>
<td>$72.1</td>
<td>1,772</td>
<td>$16.0</td>
<td>$265.8</td>
</tr>
<tr>
<td>Iowa</td>
<td>$17.7</td>
<td>396</td>
<td>$3.6</td>
<td>$59.4</td>
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<tr>
<td>Kansas</td>
<td>$9.0</td>
<td>212</td>
<td>$1.9</td>
<td>$31.8</td>
</tr>
<tr>
<td>Maine</td>
<td>$10.5</td>
<td>272</td>
<td>$2.4</td>
<td>$40.8</td>
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<tr>
<td>Massachusetts</td>
<td>$205.8</td>
<td>5,115</td>
<td>$46.0</td>
<td>$767.3</td>
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<tr>
<td>Michigan</td>
<td>$149.9</td>
<td>3,748</td>
<td>$33.7</td>
<td>$562.2</td>
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<tr>
<td>New Jersey</td>
<td>$79.9</td>
<td>2,018</td>
<td>$18.2</td>
<td>$302.6</td>
</tr>
<tr>
<td>New Mexico</td>
<td>$6.6</td>
<td>142</td>
<td>$1.3</td>
<td>$21.3</td>
</tr>
<tr>
<td>New York</td>
<td>$576.3</td>
<td>17,787</td>
<td>$160.1</td>
<td>$2,668</td>
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<tr>
<td>North Carolina</td>
<td>$86.1</td>
<td>2,019</td>
<td>$18.2</td>
<td>$302.8</td>
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<tr>
<td>North Dakota</td>
<td>$1.8</td>
<td>41</td>
<td>$0.4</td>
<td>$17.5</td>
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<tr>
<td>Oklahoma</td>
<td>$5.5</td>
<td>117</td>
<td>$1.0</td>
<td>$6.1</td>
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<tr>
<td>Oregon</td>
<td>$12.9</td>
<td>308</td>
<td>$2.8</td>
<td>$46.2</td>
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<tr>
<td>South Dakota</td>
<td>$1.9</td>
<td>45</td>
<td>$0.4</td>
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<td>Texas</td>
<td>$80.2</td>
<td>2,028</td>
<td>$18.2</td>
<td>$304.1</td>
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<tr>
<td>Utah</td>
<td>$9.9</td>
<td>223</td>
<td>$2.0</td>
<td>$33.5</td>
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<tr>
<td>Washington</td>
<td>$21.4</td>
<td>515</td>
<td>$4.6</td>
<td>$77.3</td>
</tr>
<tr>
<td>West Virginia</td>
<td>$18.1</td>
<td>426</td>
<td>$3.8</td>
<td>$63.9</td>
</tr>
</tbody>
</table>
Clarify MedPAC’s Recommendations

• MedPAC no longer recommends a reduction in IME payments

• “Empiric” IME level does not account for:
  ✓ DGME underpayment
  ✓ 10,000 trainees over the Medicare cap
  ✓ Inability of coding to capture increased severity of illness/specialized services

• IME is a patient care payment that recognizes the unique types of patients and patient care at teaching hospitals
Important Points Some Tend to Forget...

- Medicare pays less than a quarter of the Direct costs of trainees in teaching hospitals
- Indirect Medical Education is a patient care payment adjustment to the DRG also in line with Medicare’s share
Level I Trauma Center Requirements

Examples of Associated Costs

Clinical Service Costs Alone

• *Minimum* 1200 trauma admissions annually
• 24/7 in-hospital trauma surgeon and anesthesiologist
• 24/7 *immediate access* to complete operating room team (team *cannot* be dedicated to other functions in the hospital)
• 24/7 in-hospital surgical ICU physician
• 24/7 in-hospital radiology staff
• 24/7 in-hospital clinical lab services
• 24/7 *access within 15 minutes* to a board certified: cardiac surgeon; hand surgeon; neurosurgeon; orthopedic surgeon; microvascular/replant surgeon; OB/GYN surgeon; eye surgeon; oral/maxillofacial surgeon; plastic surgeon; thoracic surgeon; critical care physician; radiologist
Examples: Education and Research Requirements are Mandatory

- Maintain a trauma fellowship and/or trauma-focused residency training programs in related specialties
- Offer educational programs for providers not affiliated with the trauma center
- Maintain a trauma registry
- Conduct research that investigates issues related to trauma, trauma care, and trauma prevention
# Shortage of 91k Physicians by 2020

<table>
<thead>
<tr>
<th>Year</th>
<th>Physician Supply (All Specialties)</th>
<th>Physician Demand (All Specialties)</th>
<th>Physician Shortage (All Specialties*)</th>
<th>Physician Shortage (Non-Primary Care Specialties)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>699,100</td>
<td>706,500</td>
<td>7,400</td>
<td>None</td>
</tr>
<tr>
<td>2010</td>
<td>709,700</td>
<td>723,400</td>
<td>13,700</td>
<td>4,700</td>
</tr>
<tr>
<td>2015</td>
<td>735,600</td>
<td>798,500</td>
<td>62,900</td>
<td>33,100</td>
</tr>
<tr>
<td>2020</td>
<td>759,800</td>
<td>851,300</td>
<td>91,500</td>
<td>46,100</td>
</tr>
<tr>
<td>2025</td>
<td>785,400</td>
<td>916,000</td>
<td>130,600</td>
<td>64,800</td>
</tr>
</tbody>
</table>

Source: AAMC Center for Workforce Studies, June 2010 Analysis
*Total includes primary care, surgical, and medical specialties.
Shortage Will Impact Medicare Access

Back and joint procedures

**45–64 years**

- Disc removal and spinal fusion
- Knee replacement
- Total hip replacement
- Partial hip replacement

**65 years and over**

- Knee replacement
- Total hip replacement
- Partial hip replacement
- Disc removal and spinal fusion

**SOURCE:** CDC/NCHS, *Health, United States, 2010*, Figure 8. Data from the National Hospital Discharge Survey.
GME Messages: Workforce

2010 US MD Matriculates: 18,665
2010 Osteopath Matriculates: 5,500
2010 USMLE1 US-IMG 1st Time Takers: 3,629

2015 Expected US MD Matriculates: 21,000
2015 Expected DO Matriculates: 6,300
Expected US Grads by 2019: 27,300+
Current Pipeline Positions: 25,865
Also Keeping an Eye on the Physician Payments

• On January 1, 2012, physicians face a 27% cut in Medicare payments
• Congress must intervene to avert the cut
• Cost of fixing the problem:
  ✓ $300 billion to wipe the slate clean and implement an inflationary increase
  ✓ 1-2 year “fix” more likely ($20 - $30 billion)
  ✓ President Obama’s “deficit commission” (Simpson/Bowles) recommended the GME cut as a way to offset the costs of physician payment relief.
…and on the New “Exchanges”

- States will have significant flexibility, including decisions regarding network adequacy, and certification of qualified health plans
- AAMC focused on assuring that teaching hospitals are included in those systems
The Essentials of Advocacy

- They will be enormously challenging and full of difficult decisions
- You might find yourself devoting a lot of energy to efforts beyond your normal responsibilities and daily
- We might see academic medicine forced to make difficult choices as part of the national dialogue on deficit reduction
- There’s a lot at risk: money; missions; training programs; access; training opportunities; etc.
So Always Know Your “Happy Place”