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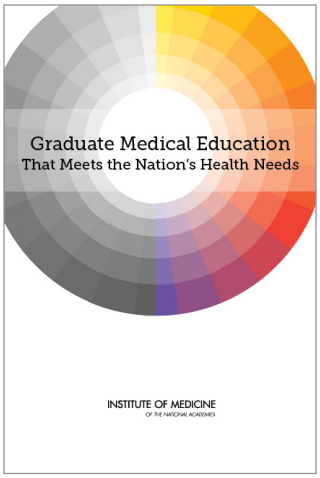
Recommendations, Goals, and Next Steps



As the U.S. population ages and diversifies and the Affordable Care Act extends health coverage to more Americans than ever before, it has never been more critical for the nation's graduate medical education (GME) system to produce a physician workforce that meets the evolving health needs of the population. Since the creation of the Medicare and Medicaid programs, the public has provided tens of billions of dollars to fund GME (residency training) in teaching hospitals and other educational institutions. Yet, under the current terms of GME financing, there is a striking absence of transparency and accountability for producing the types of physicians that today's health care system requires. The committee recommends significant changes to GME financing and governance to address current deficiencies and better shape the physician workforce for the future.

The IOM committee's complete recommendations appear below, as well as a table that relates these recommendations to goals and next steps suggested by the committee.

Recommendations

Recommendation 1: Maintain Medicare graduate medical education (GME) support at the current aggregate amount (i.e., the total of indirect medical education and direct graduate medical education expenditures in an agreed-on base year, adjusted annually for inflation) while taking essential steps to modernize GME payment methods based on performance, to ensure program oversight and accountability, and to incentivize innovation in the content and financing of GME. The current Medicare GME payment system should be phased out.

Recommendation 2: Build a graduate medical education (GME) policy and financing infrastructure.

2a. Create a GME Policy Council in the Office of the Secretary of the U.S. Department of Health and Human Services. Council members should be appointed by the Secretary and provided with sufficient funding, staff, and technical resources to fulfill the responsibilities listed below.

- Development and oversight of a strategic plan for Medicare GME financing;
- Research and policy development regarding the sufficiency, geographic distribution, and specialty configuration of the physician workforce;

- Development of future federal policies concerning the distribution and use of Medicare GME funds;
- Convening, coordinating, and promoting collaboration between and among federal agencies and private accreditation and certification organizations; and
- Provision of annual progress reports to Congress and the Executive Branch on the state of GME.

2b. Establish a GME Center within the Centers for Medicare & Medicaid Services with the following responsibilities in accordance with and fully responsive to the ongoing guidance of the GME Council:

- Management of the operational aspects of GME Medicare funding;
- Management of the GME Transformation Fund (see Recommendation 3), including solicitation and oversight of demonstrations; and
- Data collection and detailed reporting to ensure transparency in the distribution and use of Medicare GME funds.

Recommendation 3: Create one Medicare graduate medical education (GME) fund with two subsidiary funds.

3a. A *GME Operational Fund* to distribute ongoing support for residency training positions that are currently approved and funded.

3b. A *GME Transformation Fund* to finance initiatives to develop and evaluate innovative GME programs, to determine and validate appropriate GME performance measures, to pilot alternative GME payment methods, and to award new Medicare-funded GME training positions in priority disciplines and geographic areas.

Recommendation 4: Modernize Medicare graduate medical education (GME) payment methodology.

4a. Replace the separate indirect medical education and direct GME funding streams with one payment to organizations sponsoring GME programs, based on a national per-resident amount (PRA) (with a geographic adjustment).

4b. Set the PRA to equal the total value of the *GME Operational Fund* divided by the current number of full-time equivalent Medicare-funded training slots.

4c. Redirect the funding stream so that GME operational funds are distributed directly to GME sponsoring organizations.

4d. Implement performance-based payments using information from *Transformation Fund* pilots.

Recommendation 5: Medicaid graduate medical education (GME) funding should remain at the state's discretion. However, Congress should mandate the same level of transparency and accountability in Medicaid GME as it will require under the changes in Medicare GME herein proposed.

TABLE: Goals and Recommended Next Steps for Reforming Medicare Graduate Medical Education (GME) Governance and Financing

GOALS FOR FUTURE GME FUNDING	RECOMMENDED NEXT STEPS
Goal #1 Encourage production of a physician workforce better prepared to work in, help lead, and continually improve an evolving health care delivery system that can provide better individual care, better population health, and lower cost.	1. Amend Medicare statute to allow for a new Medicare GME performance-based payment system with incentives for innovation in the content and financing of GME in accord with local, regional, and national health care workforce priorities. 2. Create a high-level GME policy and financing infrastructure within the Department of Health and Human Services (HHS) and the Centers for Medicare & Medicaid Services (CMS) with responsibility for federal GME policy, including development, testing, and implementation of new payment methods. *See Recommendations 1, 2, 3, and 4.*
Goal #2 Encourage innovation in the structures, locations, and designs of GME programs to better achieve Goal #1.	1. Distribute Medicare GME funds to the organizations that sponsor residency programs via a national per-resident amount (geographically adjusted). 2. Create one unified GME fund to replace the separate Indirect Medical Education and Direct Graduate Medical Education funding streams. 3. Conduct demonstrations to identify feasible and effective performance-based payment methodologies. 4. Delink Medicare GME payments from teaching institutions' Medicare patient volume. *See Recommendations 3 and 4.*
Goal #3 Provide transparency and accountability of GME programs, with respect to the stewardship of public funding and the achievement of GME goals.	1. Require standardized reports from sponsoring organizations as a condition for receiving Medicare GME funding. 2. Develop a minimum dataset for sponsors' reports to facilitate performance measurement, program evaluation, and public reporting. 3. Develop performance measures to monitor program outcomes with respect to those goals. 4. Provide easy access to GME reports for the public, stakeholders, researchers, and others. *See Recommendation 2.*
Goal #4 Clarify and strengthen public policy planning and oversight of GME with respect to the use of public funds and the achievement of goals for the investment of those funds.	1. Create a high-level GME policy and financing infrastructure within HHS and CMS with responsibility for federal GME policy, including development, testing, and implementation of new payment methods. *See Recommendation 2.*
Goal #5 Ensure rational, efficient, and effective use of public funds for GME in order to maximize the value of this public investment.	1. Use a portion of current Medicare GME funds to fund the new infrastructure, developmental activities, new training slots (where needed), and program evaluation. *See Recommendations 1, 2, 3, and 4.*
Goal #6 Mitigate unwanted and unintended negative effects of planned transitions in GME funding methods.	1. The GME Policy Council should develop a strategic plan—in consultation with the CMS GME Center and GME stakeholders—that allows for a careful phase-in of the reforms. 2. The Council should ensure that its blueprint for the transition includes a rigorous strategy for evaluating its impact and making adjustments as needed. *See Recommendation 2.*

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