



## GRADUATE MEDICAL EDUCATION

### What is Graduate Medical Education?

Graduate medical education (GME) is the training that medical school residents receive in more than 1,000 of the nation's teaching hospitals and teaching health centers. These teaching facilities vary in size and specialty focus. GME includes internships, residency, subspecialty, and fellowship programs. GME leads to state licensure and board certification for medical school graduates.

### How is GME Financed?

Medicare is the largest payer of GME and supports it through two separate methodologies: direct graduate medical education (DGME) and indirect medical education (IME). DGME payments are designed to compensate teaching hospitals for "Medicare's share" of the costs directly related to the training of residents. IME payments are designed to subsidize hospitals for expenses associated with training resident physicians, such as higher utilization of services and longer inpatient stays.

### Primary Care Physician Shortage

The United States faces a critical physician workforce shortage. Factors contributing to current physician workforce challenges are numerous and compounded by decades of neglect, misalignment of priorities and resources in medical education, and the inherent financial interest and competition between parties in the health care industry. While the current system excels at educating and training highly trained physicians and physician researchers, it is failing to produce the number of primary care physicians the United States needs. Thus, despite spending approximately \$15 billion annually on GME, the United States will require almost 52,000 additional primary care physicians by 2025.<sup>i</sup> The current primary care physician shortage is driven by several factors, including an increase in the number of people who have health insurance, population growth, and aging.

Interest in family medicine continues to climb per the 2017 National Residency Matching Program (NRMP) [results](#). Also known as the "Match", the NRMP aligns graduating medical students with residency training programs in specialties students want to pursue. In 2017, 3,237 medical students chose family medicine and 1,530 allopathic medical school graduates chose family medicine.<sup>ii</sup>

While the 2017 Match results show improvement for family medicine, neither the production of family medicine residents by U.S. medical schools nor the number of available family medicine residency positions are sufficient to meet current and future primary care workforce needs. To increase the number of family medicine graduate medical education positions, the AAFP is committed to removing significant barriers in the educational and practice environments that are stifling growth in family medicine specialty choice among U.S. medical graduates. Substantial increases in the family medicine and primary care workforce will improve the health of Americans and the sustainability of the health care system.

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## **State Policy Options**

### **Medicaid Programs**

Medicaid programs are the second largest source of funding for GME. The role of state government in supporting GME is well established since most states provide support through their Medicaid programs. Although state Medicaid programs are not required to support GME, states supporting the programs are eligible for federal matching funds. In 2015, Medicaid funding for GME grew to \$4.26 billion with 42 states and the District of Columbia making GME payments under their Medicaid programs. This represents a significant increase since 1998, when Medicaid GME support totaled approximately \$2.3 billion.<sup>iii</sup>

### **Establishment and Funding of Workforce Programs**

States fund additional GME slots as a strategy for workforce development and physician retention. In 2014, 47.2% of physicians were active in the state where they completed their most recent GME. This retention rate indicates a significant return on investment for the state in maintaining adequate health care access.<sup>iv</sup>

California is one of the few states that does not fund GME through its Medicaid program. However, in 1973 the *Song-Brown Health Care Workforce Training Act* was signed into law with the intent to increase the number of family physicians in California. The program encourages universities and primary care professionals to provide healthcare in medically underserved areas and provides financial support to family medicine and other primary care programs throughout California.<sup>v</sup>

In 2016, California's state budget included \$100 million in new funding for the Song-Brown Program to maintain and expand their primary care physician workforce, avoiding a more than \$60 million cut in foundation and federal grants that recently ended or would have expired. The investment is the largest GME appropriation in California's history.

### **Teaching Health Centers**

The Teaching Health Center Graduate Medical Education program, is a federal program administered by the Health Resources and Services Administration, and provides funding to increase the number of primary care medical and dental residents training in community-based settings across the country. This program directly addresses the serious shortage of primary care physicians in general, their geographic maldistribution, and the growing need for physicians who serve underserved populations.

Realizing the importance of teaching health centers and trying to provide consistent funding, some states have begun to propose legislation to include funding for teaching health centers in their budgets. For example, Massachusetts has pending [legislation](#) which would establish a primary care and family medicine residency grant program to finance the training of primary care providers and family physicians at teaching health centers.

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<sup>i</sup> Aligning Resources, Increasing Accountability, and Delivery a Primary Care Physician Workforce for America, American Academy of Family Physicians, September 2014, available at

<http://www.aafp.org/dam/AAFP/documents/advocacy/workforce/gme/FullGME-090914.pdf>

<sup>ii</sup> 2017 Match Results for Family Medicine, American Academy of Family Physicians, available at <http://www.aafp.org/medical-school-residency/program-directors/nrmp.html>

<sup>iii</sup> 2016 Medical Graduate Medical Education Payments: A 50 State Survey, Association of American Medical Colleges, available at [https://members.aamc.org/eweb/upload/Medicaid\\_Graduate\\_Medical\\_Education\\_Payments--A\\_50\\_State\\_Survey.docx.pdf](https://members.aamc.org/eweb/upload/Medicaid_Graduate_Medical_Education_Payments--A_50_State_Survey.docx.pdf)

<sup>iv</sup> 2015 State Physician Workforce Data Book, Association of American Medical Colleges, November 2015, available at [https://members.aamc.org/eweb/upload/2015StateDataBook%20\(revised\).pdf](https://members.aamc.org/eweb/upload/2015StateDataBook%20(revised).pdf)

<sup>v</sup> Cal. Health and Safety Code § 128200-128241