



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

May 30, 2013

Joint Committee on Finance

Paper #430

Family Medicine Residency Programs (Medical College of Wisconsin)

[LFB 2013-15 Budget Summary: Page 300, #1]

CURRENT LAW

The Medical College of Wisconsin receives state funding to support the development and operation of programs to support the recruitment and training of medical students and residents in family and community medicine through an appropriation for family medicine education. Annual base level funding for this appropriation is \$2,848,500 GPR.

GOVERNOR

Provide \$878,000 annually to: (1) expand MCW's three existing family medicine residency programs in southeast Wisconsin to train 12 additional physicians each biennium (\$585,500 annually); and (2) develop a new family medicine residency program in northeast Wisconsin (\$292,500 annually).

DISCUSSION POINTS

1. The Medical College of Wisconsin uses funding provided through its appropriation for family medicine education to support 52 family medicine residency positions through two residency programs located in Milwaukee and one located in Waukesha. Approximately 62% of the amount appropriated (\$2,848,500) is used to provide direct support for these residency positions; the remainder of the funds provided are used to fund indirect program costs and administration (23%), residency information system support (8%), and medical student education (7%). Family medicine residents complete three years of training before graduating; 20 residents graduated from MCW's family medicine programs in 2012. For comparison, the UW School of Medicine and Public Health Department of Family Medicine used \$8,863,300 GPR in 2011-12 to support 90 family medicine resident positions at four residency programs.

2. The state funding does not cover the whole cost of MCW's family medicine residency programs. In addition to state funding, MCW's family medicine residency positions are funded by three major sources: revenues generated by the clinical practices where the positions are located, Medicare graduate medical education (GME) and indirect medical education (IME) funding passed through the sponsoring hospitals, and federal grants. In 2012, state funding paid for 12% of costs related to MCW's family medicine residency programs.

3. Both the 2009-11 and the 2011-13 biennial budgets reduced funding for MCW's family medicine education programs. The 2009-11 biennial budget reduced MCW's family medicine education appropriation by \$206,900 annually (6.1%) and the 2011-13 biennial budget reduced the appropriation by an additional \$316,500 annually (10%). Total state funding for MCW's family medicine education programs decreased from \$3,371,900 in 2008-09 to \$2,848,500 in 2012-13. At the same time, clinic revenues have fallen due to an increase in uninsured patients, a decrease in the Medicare IME rate, and the elimination of federal grants for residency curriculum development. Due to reductions in funding and increases in costs, MCW has reduced the number of family medicine residency positions it supports by 53% from 110 positions in 1998 to 52 positions in the current year.

4. The Governor's budget would provide \$585,500 annually to support additional family medicine residency positions at the three existing MCW family medicine residency programs. In its supplemental budget request, MCW requested a similar amount of funding to train an additional 12 physicians over the biennium (six additional physicians annually). However, because family medicine residents complete three years of training, the actual amount required would vary by fiscal year. Such a program would train six residents in the first year, 12 residents in the second year (six first-year residents and six second-year residents), and 18 residents in the third year and each year thereafter. Due to caps on federal funding for residency positions, these new residency positions would be ineligible for federal funds and would need to be funded entirely by clinic revenues and state funding. Based on information provided by MCW, it is estimated that each additional residency position will cost \$116,000 annually. Using that estimate, expanding the existing MCW family medicine residency programs to train an additional six physicians annually would cost \$696,000 in the first year, \$1,412,900 in the second year, and \$2,151,300 in the third year and thereafter. These estimates include salary increases for continuing residents.

5. It is unlikely that MCW will be able to recruit six additional family medicine residents to begin training in the first year of the biennium as most graduating medical students have already committed to residency programs. MCW staff believe that they could recruit three additional graduating medical students to take family medicine residency positions in 2013-14. In 2014-15, MCW would recruit six additional first-year family medicine residents and three second-year family medicine residents who would transfer from another program. Added to the three residents who began their training in 2013-14, a total of 12 residents would be in new, state-funded resident positions. Under this scenario, the additional residency positions would cost \$348,000 in the first year and \$1,412,900 in the second year for a total of \$1,760,900 over the biennium. This is \$589,900 more than was provided for this purpose in the Governor's budget.

6. The amount of funding that would be required to train six additional family

medicine physicians annually significantly exceeds the amount of funding provided for this purpose in the Governor's budget. For this reason, the Committee may wish specify a lesser number of additional physicians that would be trained and provide the corresponding amount of funding. The table below shows the cost in each year of the biennium of funding six, nine, eleven, or 15 family medicine residency positions across the two years of the 2013-15 biennium. The amounts shown in the table assume that MCW could recruit a maximum of three additional family medicine residents to begin training in 2013-14. Because family medicine residency programs last for three years, the first group of residents would complete their training in summer, 2016. The Committee should be aware that, if funding is provided for additional residency positions in this biennium, MCW would request additional funding in the 2015-17 biennial budget to support the third class of residents who would enter training in 2015-16. The table also shows the annual cost of supporting different numbers of residents when the increase in the positions is fully implemented beginning in 2016-17.

Cost of Additional Family Medicine Residency Positions

<u>Number of Additional Residency Positions (First Year/ Second Year)</u>	<u>2013-14</u>	<u>2014-15</u>	<u>Total 2013-15 Biennium</u>	<u>Annual Cost When Fully Implemented 2016-17</u>
Two per year (Two/Four)	\$232,000	\$471,000	\$703,000	\$717,200
Three per year (Three/Six)	348,000	706,400	1,054,400	1,075,600
Four per year (Three/Eight)	348,000	941,900	1,289,900	1,434,100
Six per year (Three/Twelve)	348,000	1,412,900	1,760,900	2,151,300
Funding Provided in AB 40	\$585,500	\$585,500	\$1,171,000	\$585,500

7. A report released by the Wisconsin Hospital Association in 2011 projected that the state of Wisconsin would need an additional 2,200 physicians in 2030 to meet consumer demand for health care. This projection is based on a number of factors including demographic changes, projected changes in health care usage, changes in health care delivery, current medical school enrollments, trends in physician mobility, and predicted physician retirements. According to the study, the greatest increase in consumer demand will be in the area of primary care. WHA estimates that an additional 1,800 primary care physicians will be needed to meet demand in 2030. To address this predicted shortage of physicians, Wisconsin would need to produce, attract, or retain an additional 110 physicians annually including 88 primary care physicians.

8. The WHA report recommends a number of strategies that could be employed to address the predicted physician shortage. One of the recommended strategies is to increase the number of residency programs in Wisconsin and the number of Wisconsin medical school graduates who complete residencies in Wisconsin. According to the WHA report, Wisconsin has relatively fewer residency positions than the nation as whole. There are currently 1,726 residency positions in Wisconsin which amounts to 30.7 residency positions per 100,000 state residents. By comparison, there are 35.7 residents per 100,000 people nationwide.

9. The number of residency positions in Wisconsin is significant because the location

of a physician's residency is a major determinant of where the physician will practice after completing his or her residency. The WHA report cited data from the American Association of Medical Colleges (AAMC) showing that 47% of physicians who completed their residency in Wisconsin practice medicine in Wisconsin. The AAMC data also shows that 70% of physicians who both attended a Wisconsin medical school and completed a residency in this state practice medicine in Wisconsin. Increasing the number of family medicine residency positions in the state should increase the number of primary care physicians practicing in the state over time, thus reducing the projected shortage of primary care physicians.

10. Another strategy recommended by the WHA to address the predicted physician shortage is to increase the number of students who graduate from medical schools located in Wisconsin and, more specifically, the number of Wisconsin residents who graduate from those schools. To this end, MCW is in the process of developing two new satellite campuses, one of which will be located in the Green Bay area and the other in central Wisconsin. When fully implemented, each campus could enroll 100 students and graduate a class of 25 annually. MCW has requested \$7,384,300 in state bond proceeds to partially fund capital costs associated with these two planned satellite campuses.

11. In addition to the funding provided to expand MCW's existing family medicine residency programs in southeastern Wisconsin, the Governor's budget would also provide \$292,500 to MCW to develop a new family medicine residency program in northeast Wisconsin. According to information provided by MCW, there are currently no family medicine residency programs in Green Bay. Creating new family medicine residency positions in the Green Bay area could help address a potential shortage of such physicians in that area. In addition, developing new family medicine residency positions in the same area as a planned satellite campus would allow future students to attend medical school and complete a residency in the same community. This should further increase the likelihood that the student will practice medicine in that area following the completion of his or her training. The new residency program would also allow MCW to guarantee students at the new Green Bay campus residency positions upon graduation. Without such a guarantee, students may be hesitant to enroll at the Green Bay campus, because doing so might put them at a disadvantage when competing for residency positions with students from established medical schools.

12. According to MCW staff, the first class of family medicine residents should begin training at Green Bay area hospitals and clinics during the 2016-17 year. To be accredited by the Accreditation Council for Graduate Medical Education (ACGME), a new family medicine residency program must have at least 12 residency positions (four per year). The proposed family medicine residency program will have at least that number of positions but may be larger if more positions are needed to meet the increase in student demand created by the new Green Bay campus. The curriculum at the new Green Bay campus has yet to be determined; however, MCW staff have indicated that an accelerated three-year M.D. program may be offered. In this case, the first class of medical students at the new campus would begin residency programs in summer, 2018. Students at that campus who complete the traditional four-year M.D. program would begin residency programs in summer, 2019. It is anticipated that family medicine residency program would be one of a number of residency programs created in different specialty areas.

13. As MCW currently receives state funding for its family medicine residency programs and has requested additional funds to expand those programs in this budget, it is anticipated that MCW will request additional funds to support the proposed family medicine residency positions in northeast Wisconsin in the 2015-17 biennial budget. Unlike the additional family medicine residency positions at the existing residency program sites, the new family medicine residency program in northeast Wisconsin should receive some federal support through Medicare GME and IME. The current cap on these funds applies only to hospitals with existing residency programs. As the new family medicine residency program will be located at a hospital or hospitals that do not currently have residency programs, these hospitals should be eligible to receive Medicare GME and IME. As a result, the future cost of these residency positions to the state should be less than the \$116,000 per resident estimated for the additional positions at the existing family medicine residency programs in southeastern Wisconsin.

14. MCW has requested that the Governor's recommendation be modified to provide \$150,000 in 2013-14 and \$350,000 in 2014-15 instead of \$292,500 annually. The anticipated cost increase in the second year reflects the planned hiring of a full-time residency program coordinator in that year. Under this alternative, funding for the development of the new family medicine residency program would be reduced by \$85,000 over the biennium when compared to the Governor's budget. However, this alternative would increase MCW's base budget for the purposes of the 2015-17 biennial budget by \$57,500 annually.

ALTERNATIVES

A. Expand Existing Family Medicine Programs in Southeastern Wisconsin

1. Approve the Governor's recommendation.

2. Modify the Governor's recommendation to provide \$348,000 in 2013-14 and \$1,412,900 in 2014-15 to increase the number of family medicine resident positions at existing programs in southeastern Wisconsin consistent with changes requested by MCW. Under this alternative, the funding provided in the bill would be reduced by \$237,500 in 2013-14 and increased by \$827,400 in 2014-15.

ALT A2	Change to Bill Funding
GPR	\$589,900

3. Modify the Governor's recommendation to provide funding for:

a. Two additional family medicine residency positions per year. Reduce the amount of funding provided by \$353,500 in 2013-14 and \$114,500 in 2014-15. This alternative would provide \$232,000 in 2013-14 and \$471,000 in 2014-15.

ALT A3a	Change to Bill Funding
GPR	- \$468,000

b. Three additional family medicine residency positions per year. Reduce the amount of funding provided by \$237,500 in 2013-14 and increase the amount of funding provided by \$120,900 in 2014-15. This alternative would provide \$348,000 in 2013-14 and \$706,400 in 2014-15.

ALT A3b	Change to Bill Funding
GPR	- \$116,600

c. Four additional family medicine residency positions per year. Reduce the amount of funding provided by \$237,500 in 2013-14 and increase the amount of funding provided by \$356,400 in 2014-15. The alternative would provide \$348,000 in 2013-14 and \$941,900 in 2014-15.

ALT A3c	Change to Bill Funding
GPR	\$118,900

4. Delete provision.

ALT A4	Change to Bill Funding
GPR	- \$1,171,000

B. Develop a New Family Medicine Residency Program in Northeast Wisconsin

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation to provide \$150,000 in 2013-14 and \$350,000 in 2014-15 consistent with changes requested by MCW.

ALT B2	Change to Bill Funding
GPR	- \$85,000

3. Delete provision.

ALT B3	Change to Bill Funding
GPR	- \$585,000

Prepared by: Emily Pope