

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 2/16/19
 SPONSOR HEC LAST UPDATED 3/06/19 HB 480/HECS/aHAFC
 SHORT TITLE Graduate Medical Education Expansion Grants SB _____
 ANALYST Esquibel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$159.0	\$159.0	\$318.0	Recurring	General Fund, Graduate Medical Education Expansion Grant Program Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act for \$200 thousand for the Medicaid program to fund rural residencies.
 Relates to Senate Bill 138, Residencies Support Appropriation.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)
 Higher Education Department (HED)
 Human Services Department (HSD)
 UNM Health Sciences Center (UNMHSC)

SUMMARY

Synopsis of HAFC Amendments

The House Appropriations and Finance Committee Amendments to the House Education Committee substitute for House Bill 480 remove the \$5 million FY20 appropriation from the general fund to the Graduate Medical Education Expansion Grant Program Fund.

Synopsis of Bill

The House Education Committee substitute for House Bill 480 (HB480/HECS) proposes to create a Graduate Medical Education Expansion Grant Program to create and expand physician residency programs. The bill would create a new nonreverting fund with an appropriation of \$5

million from the general fund.

The bill proposes grant funding would be provided to graduate medical education training programs that apply to develop and implement graduate medical education training programs pursuant to rules adopted by HSD.

A "graduate medical education training program" means a program that has received approval or is in the process of seeking approval to operate as a graduate medical education training program sponsor from the appropriate professional association that evaluates and accredits medical residency and internship programs, including: (1) a licensed and accredited hospital; (2) an academic medical education institution; (3) a new freestanding graduate medical education program; (4) an established or new graduate medical education training consortium; and (5) a federally qualified health center.

Upon application to the graduate medical education expansion grant program, HSD may provide graduate medical education training programs with one-time planning grants, and may provide graduate medical education grants to (1) establish new graduate medical education training programs with first-year positions; (2) fund unfilled, accredited first-year positions within a graduate medical education training program; (3) expand the number of first-year positions within an existing graduate medical education training program; and (4) fund existing graduate medical education training programs.

HB480/HECS would also require HSD to create a Graduate Medical Education Expansion Review Board to develop a state strategic plan for expanding graduate medical education programs, review applications, and review awarded grants. Award recipients would need to provide annual reports to the review board on the expenditures and use of funds. The board would consist of nine members appointed by HSD with representation from HSD; HED hospitals, primary care consortiums, and medical organizations; and osteopathic and allopathic medical professional societies and associations.

FISCAL IMPLICATIONS

The bill would create the "Graduate Medical Education Expansion Grant Program Fund." Any unexpended or unencumbered balance remaining at the end of a fiscal year would not revert to the general fund.

The HSD secretary would administer the fund, and any revenue in the fund is appropriated to carry out the provisions of the Graduate Medical Education Expansion Grant Program Act. The fund would be used to award grants to graduate medical education training programs to develop and implement graduate medical education training programs. HSD could also provide one-time planning grants to graduate medical education training programs.

If HB480/HECS/aHAFC is enacted, HSD will need additional FTEs. As part of the administration of the program, HSD would require a full-time staff manager and a part-time contracted medical director at an estimated cost of \$159,000 per year.

The bill specifies money in the fund may be utilized to secure federal and private matching funds as determined by HSD.

HSD indicates it currently administers the graduate medical education (GME) fund according to the Medicare Code of Federal Regulations (CFR), which requires states to follow certain guidelines in order to receive federal matching funds. Primarily, the hospital must meet GME eligibility criteria which includes having an approved Medical Residency Program. Therefore, federal matching funds could likely be obtained in the expansion of current GME programs, with consideration of the cap in the state plan amendment. However, if the bill intends for the fund to be used to establish new GME programs, a federal match cannot be obtained until all GME eligibility criteria is met.

The House-passed General Appropriation Act's FY20 budget for HSD includes \$200 thousand from the general fund to leverage federal Medicaid matching funds to support expanding graduate medical education positions in family medicine and psychiatry programs and start new residencies, especially in rural settings.

UNMHSC currently receives three separate lines item appropriations from the general fund for residency programs. The amounts for FY19 included:

Internal Medicine Residencies	\$980,400
Psychiatry Residencies	\$370,100
General Surgery/Family Community Medicine Residencies	\$307,700

The House-passed General Appropriation Act's FY20 budget recommends:

Internal Medicine Residencies	\$999,600
Psychiatry Residencies	\$377,200
General Surgery/Family Community Medicine Residencies	\$313,900

The UNM/HSC notes GME funding is complicated and stakeholders in New Mexico need to work closely together to ensure funding opportunities are optimized.

Continuing Appropriations

The bill would create a new fund and provide for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the Legislature to establish spending priorities.

SIGNIFICANT ISSUES

HSD notes HB480/HECS/aHAFC may conflict with federal regulations. The current graduate medical education (GME) hospital eligibility criteria are:

- licensed by the State of New Mexico;
- enrolled as a Medicaid provider;
- have an approved Medical Residency Program;
- employ residents; and
- achieved a Medicaid inpatient utilization rate of 5 percent or greater during its most recently concluded hospital fiscal year.

Funding GME programs through a grant process will not be eligible for Medicaid federal funds because Medicaid federal funds must be directly tied to Medicaid services and beneficiaries. If

the bill is also intended to provide state general funds to increase Medicaid GME payments via an increase in the number of residents, the bill should not restrict the use of this appropriation by limiting it through a grant payment.

The definition of “graduate medical education training program” encompasses programs that are seeking approval to operate as a graduate medical education training program; therefore, the programs that would be considered eligible and granted funds according to this bill may not fit the current GME hospital eligibility criteria and may not be eligible for federal Medicaid matching funds.

HSD notes currently there are six hospitals that receive GME payments. The total payment was capped at \$18.5 million for FY17, and the FY19 cap amount was \$19 million. To increase the cap amount per the provisions of the bill, the Medicaid State Plan for GME would need to be amended and approved by the federal Centers for Medicare and Medicaid Services (CMS).

ADMINISTRATIVE IMPLICATIONS

HB480/HECS/aHAFC would require HSD promulgate rules related to receipt of a grant by a graduate medical education training program applying to the Graduate Medical Education Expansion Grant Program.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HSD notes HB480/HECS/aHAFC may be in conflict with federal regulations at 42 CFR 413.75 and 8.311.3.12 NMAC, Section F, Item 7.

HED notes graduate medical education programs must be approved by the Accreditation Council for Graduate Medical Education (ACGME). The ACGME is a private nonprofit that sets standards for U.S. graduate medical education programs and the institutions that sponsor them. The ACGME renders accreditation decisions based on compliance with these standards.

Currently, the Burrell College of Osteopathic Medicine (BCOM) is the only osteopathic medical school in New Mexico. BCOM is accredited by the American Osteopathic Association (Commission on Osteopathic College Accreditation).

HB480/HECS/aHAFC also relates to

- Senate Bill 138, Residencies Support Appropriation, which would appropriate \$1.2 million for physician residencies at UNM/HSC.
- House Bill 180, Health Careers Program and Regional Training, which would appropriate \$372 thousand to DOH for a comprehensive health careers program and provide regional training opportunities in primary care.
- Senate Bill 480, Comprehensive Health Careers Program, would appropriate \$327 thousand to DOH for a comprehensive health careers program and provide regional training opportunities in primary-care-related health professions.

TECHNICAL ISSUES

HSD reports:

Considering most of the review board members would either be representatives of accredited osteopathic and allopathic medical schools or possibly affiliated with the schools, it could pose a potential conflict of interest in the review board's application determination process. Also, the number of nine voting board members is small enough that it would be difficult to maintain impartiality, even with voting disqualification of the member who may have a direct interest in an application.

UNMHSC notes as in the original version, HB480/HECS references "accreditation," but it is not clear whether that refers to ACGME accreditation, which is the standard for quality residency programs for both MDs and DOs. It is critical there be strong quality metrics, including appropriate accreditation by ACGME. All of the specialties included in the committee substitute are fully accredited by ACGME at the UNM School of Medicine; however, that may not be true for these same specialties at other institutions.

HSD recommends that the language on priority of grant funding to also cover some other specialties as well as OB/GYN as it may be indicated in areas where Medicaid provider network is inadequate in the future, especially in the rural/frontier counties. A forecast of aging populations in the rural/frontier counties should also be taken into consideration as these populations would likely need access to specialty care more than younger and healthier populations.

HED notes it may license private medical schools; however, HED does not have the technical ability, the personnel, nor the authority to make recommendations for institutions and students to enter under graduate medical education programs, i.e. medical residencies. HSD, as well as medical schools, would be better suited to determine which hospitals would be eligible and which programs are accredited, to provide graduate medical education to individuals participating in residency programs.

OTHER SUBSTANTIVE ISSUES

UNMHSC hosts many of the state's residency programs, and also focuses on shortage areas in rural New Mexico with its "2+2" programs, or joint programs with rural sites. These type of joint programs are beneficial from the standpoints of quality and coordination to ensure the needs of rural New Mexico are met. UNMHSC's existing "2+2" programs and other partnerships have been successful in recruiting and retaining physicians in communities including Hobbs, Santa Rosa and Santa Fe.

The New Mexico Health Care Workforce Committee reported that practice location distribution shows significant physician shortages in most areas of the state. The Committee proposed exploring options for increasing the number of funded Graduate Medical Education (GME) positions, particularly for practice in rural areas and underserved areas.

DOH notes the federal government is the largest source of graduate medical education funding through Medicare funds, Medicaid funds, and other sources. The Balanced Budget Act of 1997 placed limitations on the number of Medicare-supported resident slots, based on 1996 residency numbers. The Affordable Care Act included provisions to allow for new residency programs above the traditional cap level for residencies in medically underserved areas and especially rural hospitals. However, even with this modification, the existing resident support system no longer adequately addresses graduate medical education needs. While medical school enrollment has

increased by over 30 percent over the past decade, residency slots have remained at almost constant levels. HB480 is an attempt to use state funds to increase slots.

ALTERNATIVES

DOH suggests the funding proposed by HB480 could be provided directly to current graduate medical education programs, perhaps using an allocation based on the current proportion of residents trained in New Mexico. As these programs already have the recruiting and training mechanisms in place, this could more rapidly augment current graduate medical education efforts while reducing the risk and administrative cost.

RAE/gb/sb