

# **Workgroup Results on Distribution of GME funds**

(FY2017 Appropriation Act - Public Act 268 of 2016)

**October 25, 2017**

**Sec. 1812. (1) By June 1 of the current fiscal year, and using the most recent available cost reports, the department shall complete a report of all direct and indirect costs associated with residency training programs for each hospital that receives funds appropriated in part 1 for graduate medical education. The report shall be submitted to the house and senate appropriations subcommittees on the department budget, the house and senate fiscal agencies, and the state budget office.**

**(2) By August 1 of the current fiscal year, the department shall develop a template for hospitals receiving funds appropriated in part 1 for graduate medical education to report the following in a standard format:**

**(a) The marginal cost to add 1 additional residency training program slot.**

**(b) The number of additional slots that would result in the need to add additional administrative costs to oversee the residents in the training program.**

**(c) The postresidency retention rate for the residency training program.**

**(3) The department shall convene a workgroup to use the reports submitted under subsections(1) and (2) to assist in the development of metrics for distribution of graduate medical education funds and shall report to the senate and house appropriations subcommittees on the department budget and the senate and house fiscal agencies on the results of the workgroup by September 30 of the current fiscal year. It is the intent of the legislature that, beginning with the budget for the fiscal year ending September 30, 2018, the metrics developed by this workgroup be used to determine the distribution of funds for graduate medical education.**

**(4) If needed, the department shall seek a federal waiver to fulfill the requirements of this section.**



**Michigan Department of  
Health & Human Services**

RICK SNYDER, GOVERNOR  
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### **Section 1812(3) of 2016 Public Act 268 – Graduate Medical Education Funds Workgroup Report**

In 2016, the Department of Health and Human Services (DHHS) convened a workgroup to discuss the development of metrics for distribution of graduate medical education (GME) funds. This report describes the composition and conclusions of the workgroup.

The workgroup was chaired by MDHHS and consisted of representatives from hospitals, the Michigan Health & Hospital Association, and Health Management Associates. During this workgroup, the results of subsections (1) and (2) were discussed at length, as well how these metrics may be used to determine the distribution of funds for GME. MDHHS presented a payment distribution option which utilized the current process, but included an adjustment factor based on a hospital's post-residency retention rate in relation to the statewide average. To minimize disruptions, MDHHS proposed this factor to initially impact five percent of GME funds, but this percentage could be re-evaluated in the future.

Members of the workgroup expressed concerns about this methodology and the general use of post-residency retention rates for distribution purposes. One concern is that hospitals may not have control over whether a resident chooses to remain in state upon completion of his/her residency. This can be particularly true if a resident chooses to pursue a fellowship, but the particular fellowship program is not available within the state. Another concern is that post-residency retention rates are self-reported by hospitals and the submitted data would be difficult to track or audit.

Based on these concerns, and general satisfaction with the current process, MDHHS does not recommend making any changes in the GME distribution methodology at this time.