

- SUBJECT:** Graduate Medical Education expansion and support
- COMMITTEE:** Higher Education — committee substitute recommended
- VOTE:** 7 ayes — Zerwas, Alonzo, Clardy, Crownover, Martinez, Morrison, C. Turner
- 0 nays
- 2 absent — Howard, Raney
- SENATE VOTE:** On final passage, April 7 — 31-0
- WITNESSES:** For — (*Registered, but did not testify:* Bryan Sperry, Children’s Hospital Association of Texas; Cate Graziani, Mental Health America of Texas; Greg Hansch, National Alliance on Mental Illness-Texas; Maureen Milligan, Teaching Hospitals of Texas; Tom Banning, Texas Academy of Family Physicians; Tim Schauer, Texas Association of Community Based Health Plans; Jose E. Camacho, Texas Association of Community Health Centers; Justin Yancy, Texas Business Leadership Council; Marcus Mitias, Texas Health Resources; Jennifer Banda, Texas Hospital Association; Michelle Romero, Texas Medical Association; David Reynolds, Texas Osteopathic Medical Association; Clayton Travis, Texas Pediatric Society; Max Jones, The Greater Houston Partnership; Marilyn Hartman)
- Against — None
- On — Jay Thompson, Joint Underwriting Association; Stacey Silverman, Texas Higher Education Coordinating Board
- BACKGROUND:** The 83rd Legislature enacted several bills related to graduate medical education (GME), which is also known as residency. HB 2550 by Patrick created programs for GME planning grants, grants to fill accredited but unutilized residency slots, and grants to expand residency programs and create new slots, among others. The fiscal 2014-15 general appropriations

act and HB 1025 by Pitts, the supplemental appropriations act, allocated funds to support these new programs.

The Texas Medical Liability Joint Underwriting Association (JUA) was established in 1975 to assist medical providers who had difficulty securing affordable medical liability insurance. The JUA currently covers two hospitals, 15 corporations or associations, and 60 individual providers.

DIGEST:

CSSB 18 would amend strategies for graduate medical education (GME) by specifying types of residency programs targeted for expansion, supporting existing residency slots, studying and targeting areas of critical medical care shortages, and establishing a permanent fund for GME.

GME programs. The bill would amend existing GME programs to target specific health care facilities and partnerships, create and support new and existing residency slots, and prioritize high-need medical practice fields.

CSSB 18 would amend the GME planning grant program to allow grant applicants to partner with an existing GME program or sponsoring institution for funds to plan a new GME program with first-year residency positions. The bill would specify that grants could be awarded to hospitals, medical schools, and community-based, ambulatory patient care centers including rural health clinics as defined by the bill. Facilities and any applicable partners could use these grants to plan new GME programs, whether or not the facilities currently or previously had offered other first-year residency positions.

The bill also would abolish the Resident Physician Expansion Grant Program, which currently exists to encourage the creation of new GME residency slots through community collaboration and innovative funding.

GME programs could apply for grants to support the number of first-year residency slots that as of July 1, 2013, had been approved and accredited at the residency site but went unfilled. The grants would provide support for the duration of the individual's residency, rather than limiting the grants to two consecutive fiscal years. Awarded funds would be used to

support resident stipends and benefits and other direct resident costs.

The bill also would make changes to new and expanded grant programs by allowing grants to be awarded for the duration of an individual's residency, rather than limiting the grant to only three consecutive years. Existing grants to support residency slots for current unfilled positions or new and expanded GME grant programs would continue to be supported so long as those programs remained compliant with the grant requirements that existed at the time of the initial award.

The bill also would require the Texas Higher Education Coordinating Board to prioritize funding programs focused on medical specialties that are at critical shortage levels in the state as determined by several sources, including research conducted by the Health Professions Resource Center at the Department of State Health Services.

GME system research. The Health Professions Resource Center would conduct research to identify all medical specialties and subspecialties at critical shortage levels in the state, along with the geographic location of physicians in those practice areas. The center also would study the overall supply of physicians in the state and other issues relevant to the development of the GME system. It would be required to make a report of these findings by May 1 of every even-numbered year to the Legislative Budget Board, the coordinating board, the Office of the Governor, and the House Appropriations Committee and Senate Finance Committee.

Permanent GME Fund. The bill would establish a permanent fund for supporting GME, which would be a special fund in the state treasury outside the general revenue fund. The permanent fund would be administered by the Texas Treasury Safekeeping Trust Company and could be funded through legislative appropriations, gifts and grants, and returns received from investment of money in the fund.

The comptroller would adopt a distribution policy, which the trust company would be required to follow in determining the amount of funds available for distribution. The money in the fund could be invested by the

trust company under certain limitations.

Money in the fund available for distribution could be appropriated only to the coordinating board to fund GME programs or as otherwise directed by the Legislature. The fund would not be subject to the restrictions or requirements of the Government Code governing the use of dedicated revenue or disposition of interest on investments. The board would limit or withhold appropriations from the permanent fund for programs that failed to comply with relevant GME program requirements.

Transfer of Joint Underwriting Association assets. Under the bill, the Texas Department of Insurance would complete within 90 days of the bill's effective date an actuarial study of assets held by the Texas Medical Liability Joint Underwriting Association (JUA), transferring within 60 days of the study's completion any funds that were not necessary to cover certain JUA costs to the permanent GME fund created by the bill. If the permanent fund was not yet in existence, the comptroller would hold the assets in trust pending the permanent fund's creation.

Following completion of the actuarial study, the commissioner of insurance would be required to hold a hearing to determine whether it was necessary to suspend JUA's ability to issue new insurance policies until further action of the Legislature or until the scheduled September 1, 2017, expiration of the subchapter authorizing the transfer of assets, whichever occurred earlier.

The bill would take effect September 1, 2015.

**SUPPORTERS
SAY:**

CSSB 18 would make several necessary changes to the state's approach on training and educating its medical residents. Texas has too few available residency spots to accommodate its medical school graduates, and several new schools are slated to open within the next few years.

This lack of slots has created a "brain drain," in which students educated at Texas institutions, including some institutions funded with taxpayer dollars, must leave the state to complete their residencies. Many medical

residents end up practicing where they complete their training, leaving Texas without the doctors it educated. The bill would help ensure that there were not only enough residency positions available for Texas medical school graduates, but also enough positions to potentially attract out-of-state graduates as well.

The bill would provide a vehicle for channeling needed funding to address a shortage of doctors in rural areas and in certain areas of medical practice. It would ensure that the state had access to the necessary research to develop plans for its graduate medical education (GME) system to meet the state's medical specialty and geographic needs, including by specifying that rural health centers could be residency sites. By encouraging new GME programs to partner with existing residency programs, more programs could be assisted through the process of becoming accredited residency host programs.

While some GME reform efforts have focused solely on expanding residency slots, the bill would ensure that GME funds appropriated in the budget addressed the lack of available residency slots while offering supportive funding for existing unfilled slots, which are unfilled only because no funding exists to support them even though they have been accredited and approved. By setting up the permanent GME fund, the bill would ensure that the state not only expanded medical education, but sustained the expansion to serve future medical school graduates. The bill also would streamline GME programs by eliminating duplicative programs such as the Resident Physician Expansion Grant Program.

The bill would make effective use of excess funds held at the Texas Medical Liability Joint Underwriting Association (JUA), which was created by the Legislature in the 1970s and was originally intended to be only a temporary program. The JUA currently does not cover a large number of medical professionals and institutions, and those that it does cover often are individuals and institutions who cannot obtain insurance coverage through other means due to those providers' risk profiles. The state could make better use of the funds through supporting future physicians, which is a recommendation of the Legislative Budget Board.

The state should prevail in the event of any potential lawsuit filed by policyholders.

OPPONENTS
SAY:

CSSB 18 would significantly affect the JUA, which offers a necessary service to many medical professionals and institutions, including nurse practitioners and children's hospitals, whose risk profile is a result of their area of practice and not their own practice records. Also, the JUA's funds are in large part composed of investment income or money paid in by policyholders, so appropriating these funds for a state purpose under the bill could potentially open the state up to a lawsuit. The bill should provide JUA and its agents some immunity from liability or institute a hold harmless policy, as afforded to other state employees, to protect JUA agents from any potential litigation as a result of complying with the bill's requirements.

NOTES:

According to the Legislative Budget Board's fiscal note, CSSB 18 would result in a negative fiscal impact to general revenue of \$34.3 million during fiscal 2016-17.

CSSB 18 differs from the Senate engrossed version in that the studies done on the graduate medical education system by the Health Professions Research Center would not include a focus on the ratio of primary care to non-primary care physicians necessary and appropriate to serve current and future state needs. CSSB 18 also would allow facilities and partners to use grants to plan new GME programs if the facilities currently offered GME programs with first-year residency positions, in addition to having previously offered the positions. CSSB 18 also would not repeal a provision establishing grants for additional years of residency that would be repealed in the Senate engrossed version.

The Senate version of the fiscal 2016-17 general appropriations act includes \$60 million in general revenue in fiscal 2016-17 for GME expansion. The House version includes about \$28.6 million.