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BEFORE THE

SUBCOMMITTEE ON HEALTH

COMMITTEE ON ENERGY AND COMMERCE

UNITED STATES HOUSE OF REPRESENTATIVES

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Mr. Chairman, Members of the Subcommittee, thank you for the opportunity to meet with you today on behalf of the Health Resources and Services Administration (HRSA) to discuss the Children's Hospitals Graduate Medical Education Program.

Background

The Children's Hospitals Graduate Medical Education Program was authorized by the Healthcare Research and Quality Act of 1999. The program was amended by the Children's Health Act of 2000 and was further amended in 2004. Its purpose is to support graduate medical education (GME) training in freestanding children's teaching hospitals. Payments are made to these hospitals to enhance their financial viability.

The Children's Hospitals GME Program addresses the need for funds beyond patient revenues to support the broad teaching mission of freestanding children's teaching hospitals, which includes conducting biomedical research, training health professionals, providing rare and highly specialized clinical services and innovative clinical care, and providing care to the poor and the underserved. Teaching hospitals have higher costs than other hospitals because of the special services they provide.

Implementation

The program currently disburses Direct Medical Education (DME) and Indirect Medical Education (IME) payments to eligible and participating children's hospitals. Based on Congressional mandate, one-third of total appropriated funds are disbursed for DME and the remaining two-thirds are disbursed for IME. A Children's Hospitals GME Payment

Program's participating hospital's DME payment allocation is based on the national updated per-resident amounts as defined by §340E(c)(2) of the Public Health Service Act and the three years rolling average of weighted full time equivalent medical resident counts as determined under §1886(h)(4) of the Social Security Act. A Children's Hospitals GME Payment Program's IME payments are determined by a participating children's hospital's capacity to treat patients (number of discharges), severity of illness of the patients population (using a case mix index), and the teaching intensity factor as captured by the intern-resident to bed ratio.

In fiscal year (FY) 2004, the Children's Hospitals GME supported 61 freestanding children's hospitals and the training of 4,892 medical residents on and off site. The financial support for the training of medical residents is based on a three-year rolling average of weighted and unweighted full time equivalent residents, number of discharges, number of available beds, and a case mix index. The program as currently implemented is in need of change.

Proposal

The President's FY 2007 Budget requests \$99 million to support the mission of children's teaching hospitals, which includes training medical residents, ensuring access to care by supporting children's hospitals based on their financial status, and encouraging the children's hospitals to continue caring for those children who are underinsured or uninsured.

To support this Budget Request, the Administration is proposing legislative reform of this program. The proposal will address specific needs of children's hospitals in the nation. Under this new program, funds will be distributed based on the financial status of freestanding children's hospitals, their uncompensated care caseload, and the number of full time equivalent medical residents (including interns and fellows) in training. The payment formula will weight financial status, uncompensated care, and number of full time equivalent medical residents (interns and fellows) in training. Participating children's hospitals would be required to account for the use of these Federal funds, and have clear, standardized performance requirements, such as the effect of program funds on improvements in patient care. Under this new proposal, we emphasize that payments will focus on those children's hospitals with the greatest financial need that treat the largest number of uninsured patients and train the greatest number of physicians.

Rationale

The proposed legislative reform is designed to better target limited Federal resources where they are needed most. Federal support will be provided to ensure that the pediatric workforce will continue to receive the best training possible with the objective of achieving improvement in patient care outcomes. Furthermore, Federal support will be provided to those freestanding children's hospitals with the greatest financial need, and Federal support will be provided to encourage teaching hospitals to continue providing quality patient care to those children who are without a source of payment or are underinsured. Reporting requirements on the use of funds will demonstrate the results

achieved by freestanding children's hospitals in performing their three-pronged mission as teaching hospitals, safety net providers, and providers of quality care for children.

Impact

Under this proposal, Federal support for the training of physicians will continue to depend on the number of full time equivalent residents trained, the national average per resident amount adjusted for labor and non-labor share and geographic distances.

The impact and reasoning of the proposal is to target the funds to help children's hospitals caring for the poor and underserved, and help children's hospitals that are in the greatest financial need. This new formulation will replace the current Indirect Medical Education payment formula which accounts for teaching intensity (using the interns and residents to bed ratio), capacity for patient care (number of inpatient discharges), and severity of illness (case mix index) of the inpatient population. Federal support for uncompensated care will be distributed based on the volume of uncompensated care provided by the institution.

Conclusion

Thank you for the opportunity to discuss the Administration's principles for the legislative reform of the Children's Hospitals Graduate Medical Education Program. We look forward to working with this Subcommittee on this proposal.