

NORTH CAROLINA GENERAL ASSEMBLY



JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON HEALTH AND HUMAN SERVICES

&

JOINT LEGISLATIVE EDUCATION OVERSIGHT COMMITTEE

JOINT SUBCOMMITTEE ON MEDICAL EDUCATION AND MEDICAL RESIDENCY PROGRAMS

Cochairs:

Representative John Fraley
Representative Donny Lambeth
Senator David Curtis
Senator Louis Pate

FINAL REPORT
TO EACH
FULL COMMITTEE

MARCH 2018

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DRAFT

TRANSMITTAL LETTER

March 1, 2018

To Members of the Joint Legislative Oversight Committee on Health and Human Services and Members of Joint Legislative Education Oversight Committee:

The Joint Subcommittee on Medical Education and Medical Residency Programs respectfully submits the following final report in accordance with the joint study conducted pursuant to S.L. 2017-57, Section 11J.2.

Representative John Fraley
Cochair

Senator David Curtis
Cochair

Representative Donny Lambeth
Cochair

Senator Louis Pate
Cochair

JOINT SUBCOMMITTEE MEMBERSHIP

S.L. 2017-57, Section 11J.2, required the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee to each appoint a subcommittee to jointly examine the use of State funds to support medical education and medical residency programs. Below are the members appointed from each of the Oversight Committees.

Medical Education and Residency Programs Subcommittee, Joint Legislative Oversight Committee on Health and Human Services

Senate Members	House Members
Senator Louis Pate, Cochair	Representative Donny Lambeth, Cochair
Senator Jeff Tarte	Representative Gregory F. Murphy, MD.
Senator Mike Woodard	Representative Jean Farmer-Butterfield
Staff	Staff
Jason Moran-Bates, Legislative Analysis	Theresa Matula, Legislative Analysis
Denise Thomas, Fiscal	Steve Owen, Fiscal
Amy Jo Johnson, Legislative Drafting	

Medical Education and Residency Programs Subcommittee, Joint Legislative Education Oversight Committee

Senate Members	House Members
Senator David Curtis, Cochair	Representative John Fraley, Cochair
Senator Joyce Krawiec	Representative David Lewis
Senator Ronald Rabin	Representative Larry Strickland
Staff	Staff
Samantha Yarborough, Legislative Analysis	Drupti Chauhan, Legislative Analysis
Leslie Karkanawi, Legislative Drafting	Lisa Fox, Fiscal

JOINT SUBCOMMITTEE AUTHORIZATION

The Joint Subcommittee on Medical Education and Medical Residency Programs was created pursuant to S.L. 2017-57, Section 11J.2 which directed the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee to each appoint a subcommittee to jointly examine the use of State funds to support medical education and medical residency programs. The authorizing language from S.L. 2017-57, Section 11J.2, which became effective June 28, 2017, is provided below.

JOINT SUBCOMMITTEE ON MEDICAL EDUCATION AND MEDICAL RESIDENCY PROGRAMS

SECTION 11J.2.(a) The Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee shall each appoint a subcommittee to jointly examine the use of State funds to support medical education and medical residency programs. In conducting the study, the subcommittees shall examine at least all of the following:

- (1) The health care needs of the State's residents and the State's goals in meeting those health care needs through the support and funding of medical education and medical residency programs located within the State.
- (2) The short-term and long-term benefits to the State for allocating State funds to medical education and medical residency programs located within the State.
- (3) Recommended changes and improvements to the State's current policies with respect to allocating State funds and providing other support to medical education programs and medical residency programs located within the State.
- (4) Development of an evaluation protocol to be used by the State in determining (i) the particular medical education programs and medical residency programs to support with State funds and (ii) the amount of State funds to allocate to these programs.
- (5) Any other relevant issues the subcommittees deem appropriate.

SECTION 11J.2.(b) The subcommittees may seek input from other states, stakeholders, and national experts on medical education programs, medical residency programs, and health care as it deems necessary.

SECTION 11J.2.(c) By February 1, 2018, the Department of Health and Human Services and The University of North Carolina shall provide the subcommittee

the following information regarding State funds and other support provided by the State to medical education programs and medical residency programs located in North Carolina:

- (1) The identity, location, and number of positions available in these medical education programs and medical residency programs, broken down by geographic area.
- (2) The specific amount of State funds or the nature of any other support provided by the State to medical education programs and medical residency programs, broken down by program.
- (3) The number of graduates of medical education programs and medical residency programs who are currently practicing in North Carolina, broken down by specialty areas in which North Carolina is experiencing a shortage, including:
 - a. Anesthesiology.
 - b. Neurology.
 - c. Neurosurgery.
 - c. Obstetrics/Gynecology.
 - d. Primary Care.
 - e. Psychiatry.
 - f. Surgery.
 - g. Urology.
 - h. Any other specialty areas determined by the Department of Health and Human Services or The University of North Carolina to be experiencing a shortage.
- (4) The number of program graduates who practiced in North Carolina for at least five years after graduation.
- (5) Any other information requested by the subcommittees.

SECTION 11J.2.(d) The subcommittees shall jointly develop a proposal for a statewide plan to support medical education programs and medical residency programs within North Carolina in a manner that maximizes the State's financial and other support of these programs and addresses the short-term and long-term health care needs of the State's residents. Each subcommittee shall submit a report to its respective oversight committee on or before March 15, 2018, at which time each subcommittee shall terminate.

SECTION 11J.2.(e) This section is effective when this act becomes law.

JOINT SUBCOMMITTEE PROCEEDINGS

This section of the report provides a brief overview of the topics and presenters. Detailed minutes and copies of handouts from each meeting are on file in the legislative library. Handouts from the meetings are also available at the Handouts from the meetings are also available at the Joint Legislative Oversight Committee on Health and Human Services [website](#) and the Joint Legislative Education Oversight Committee [website](#).

Overview of Topics and Presenters

February 12, 2018

- Welcome & Opening Remarks
Senator Louis Pate, Presiding Co-chair
- Committee Charge
Jason Moran-Bates, Subcommittee Staff, Legislative Analysis Division
- Overview of Graduate Medical Education Funding
Steve Owen, Subcommittee Staff, Fiscal Research Division
Lisa Fox, Subcommittee Staff, Fiscal Research Division
- Report on S.L. 2017-57, Sec. 11J.2(c)
Maggie Sauer, Office of Rural Health, DHHS
Dr. Erin Fraher, Cecil B. Sheps Center for Health Services Research
- Improving the Return on Investment in Graduate Medical Education: Towards a Statewide Solution
Dr. Warren Newton, North Carolina Area Health Education Centers Program
Dr. Joseph Pino, South East Area Health Education Center
- Current State of Medical Education and Residency and Suggestions to Address North Carolina's Health Care Needs
Dr. Julie Byerley, University of North Carolina School of Medicine
Dr. Catherine Kuhn, Duke University School of Medicine
Dr. Mark Stacy, East Carolina University Brody School of Medicine
Dr. Michael Waldrum, Vidant Health
Dr. John Kauffman, Campbell University School of Osteopathic Medicine

March 1, 2018

- Welcome & Opening Remarks
Representative Donny Lambeth, Presiding Co-chair
- Loan Repayments for Providers in Rural Areas
Maggie Sauer, Office of Rural Health, DHHS
- Cape Fear Valley Health Center Graduate Medical Education Program
Michael Nagowski, Chief Financial Officer
- Wake Forest Baptist Graduate Medical Education Program
Dr. Richard Lord
- Presentation of Draft Subcommittee Report
Jason Moran-Bates, Subcommittee Staff, Legislative Analysis Division

JOINT SUBCOMMITTEE FINDINGS AND RECOMMENDATIONS

S.L. 2017-57, Section 11J.2, requires the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee to each appoint a subcommittee to "jointly examine the use of State funds to support medical education and medical residency programs." S.L. 2017-57, Section 11J.2(d), tasked the two subcommittees with jointly developing a proposal for "a statewide plan to support medical education programs and medical residency programs within North Carolina in a manner that maximizes the State's financial and other support of these programs and addresses the short-term and long-term health care needs of the State's residents." The provision requires each subcommittee to report to its respective oversight committee on or before March 15, 2018. Half of the Joint Subcommittee was named in October, 2017, but the other half of the Joint Subcommittee was not named until January, 2017. Since the two subcommittees were required to work jointly, the work of the Joint Subcommittee was delayed.

The first meeting of the Joint Subcommittee on Medical Education and Medical Residency Programs was held on February 12, 2018. During that meeting, the Subcommittee members heard a presentation on an overview of graduate medical education funding provided by Subcommittee staff. S.L. 2017-57, Section 11J.2(c) required the Department of Health and Human Services and The University of North Carolina to provide the following information: (1) the identity, location, and number of positions available in medical education and medical residency programs by geographic area; (2) the specific amount of State funds or the nature of any other support provided by the State to medical education and medical residency programs by program; (3) the number of graduates of medical education and medical residency programs who are currently practicing in North Carolina by specialty area in which the State is experiencing a shortage; (4) the number of program graduates who practiced in North Carolina for at least five years after graduation; and (5) any other information requested. In response, the Joint Subcommittee received information from the Office of Rural Health, Department of Health and Human Services, and the Cecil B. Sheps Center for Health Services Research. Among other issues, the Sheps Center presentation focused on the need for transparency and accountability in determining which residency programs are addressing the shortage of physicians in rural areas.

The Joint Subcommittee also heard from the North Carolina Area Health Education Centers Program on improving the return on investment in graduate medical education. The presentation focused on prioritizing rural graduate medical education expansion; targeting the right specialties and settings; having a comprehensive solution; collecting data to track outcomes; paying for performance for education; and transparency and public leadership.

Additionally, the Joint Subcommittee heard from the following on the current state of medical education and residency programs, including suggestions to address the State's health care needs: University of North Carolina School of Medicine; Duke University School of Medicine; Brody School of Medicine at East Carolina University and Vidant Health; and Campbell University School of Osteopathic Medicine.

During the second meeting, on March 1, 2018, the Joint Subcommittee heard a presentation from the Wake Forest School of Medicine. The Subcommittee also heard a presentation on the loan repayment programs available to medical providers practicing in rural North Carolina.

Given the brevity of the Subcommittee's work and the importance of this issue, the Joint Subcommittee on Medical Education and Residency Programs submits the findings and recommendations outlined below.

FINDING 1: CONTINUED STUDY AND DEVELOPMENT OF A PLAN TO SUPPORT MEDICAL EDUCATION AND MEDICAL RESIDENCY PROGRAMS IN A MANNER THAT ADDRESSES THE HEALTH CARE NEEDS OF THE STATE.

S.L. 2017-57, Section 11J.2(d), required a subcommittee appointed by the Joint Legislative Oversight Committee on Health and Human Services and a subcommittee appointed by the Joint Legislative Education Oversight Committee to jointly "develop a proposal for a statewide plan to support medical education programs and medical residency programs within North Carolina in a manner that maximizes the State's financial and other support of these programs and addresses the short-term and long-term health care needs of the State's residents." The authorizing legislation required a report to the respective Oversight Committees by March 15, 2018. Due to a late start, the Joint Subcommittee on Medical Education and Medical Residency Programs was only able to hold two meetings prior to the reporting date.

The Joint Subcommittee finds that there is continued interest in examining ways to support medical education and medical residency programs with a goal of addressing the short-term and long-term health care needs of the State's residents. The Joint Subcommittee also finds that it is important for any subcommittee appointed to be in a position to begin work as soon as possible. However, the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee may find it necessary to prioritize their interim work and both Committees may not be in a position to appoint a subcommittee to work jointly. Therefore, the respective Oversight Committees may wish to encourage the General Assembly to enact legislation for continued study with a mechanism allowing flexibility for two appointed subcommittees to work jointly, or for one or more appointed subcommittees to work independently. Additionally, in order to devote sufficient time to these complex and important topics, the Joint Subcommittee finds that it would be beneficial for the study to take place over two interim periods with a final reporting deadline of March 1, 2020.

RECOMMENDATION 1: CONTINUED STUDY AND DEVELOPMENT OF A PLAN TO SUPPORT MEDICAL EDUCATION AND MEDICAL RESIDENCY PROGRAMS IN A MANNER THAT ADDRESSES THE HEALTH CARE NEEDS OF THE STATE.

The Joint Subcommittee on Medical Education and Medical Residency Programs recommends that the Joint Legislative Oversight Committee on Health and Human Services, and the Joint Legislative Education Oversight Committee, encourage the General Assembly to enact legislation allowing continued study and development of a plan to support medical education and medical residency programs in a manner that addresses the health care needs of the State.

FINDING 2: DEVELOPMENT OF MEASURABLE OBJECTIVES TO BE USED WHEN FUNDING MEDICAL EDUCATION AND RESIDENCY PROGRAMS.

S.L. 2017-57, Section 11J.2, requires the two subcommittees to jointly "develop a proposal for a statewide plan to support medical education programs and medical residency programs within North Carolina in a manner that maximizes the State's financial and other support of these programs and addresses the short-term and long-term health care needs of the State's residents." The Joint Subcommittee received good information this interim, but more information is needed to identify specific measurable objectives, along with specified timeframes for achievement, which will be used by the State when funding medical education and residency programs that address healthcare needs throughout the State, particularly increased health care access in rural areas, and to provide the Department of Health and Human Services direction in designing programs to support those objectives.

The Joint Subcommittee on Medical Education and Medical Residency Programs heard a variety of presentations regarding medical education and residency programs. The presentations highlighted the need for transparency with regard to the funding related to medical residency programs, the data needed to track residents throughout their career, and the lack of one specific entity in the State to gather this information. Presentations also pointed out that the variety of medical schools in the State have differing goals and objectives. The Subcommittee finds that the State does not appear to have a specific set of objectives for medical education and residency programs.

At this time, there was not enough data before the Subcommittee to make specific recommendations on a statewide plan to support medical education programs and medical residency programs. The Joint Subcommittee finds that more information is needed and should be provided by the Department of Health and Human Services in collaboration with the Cecil G. Sheps Center for Health Services Research, the North Carolina Area Health Education Centers, the North Carolina Institute of Medicine, the University of North Carolina at Chapel Hill School of Medicine, and the Brody School of Medicine at East Carolina University.

RECOMMENDATION 2: DEVELOPMENT OF MEASURABLE OBJECTIVES TO BE USED WHEN FUNDING MEDICAL EDUCATION AND RESIDENCY PROGRAMS.

The Joint Subcommittee on Medical Education and Medical Residency Programs recommends that the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee encourage the General Assembly to enact legislation requiring the Department of Health and Human Services to gather and report information to facilitate the development of measurable objectives, along with specified timeframes for achievement, which will be used by the State when funding medical education and residency programs addressing the health care needs of residents throughout the State and to provide the Department of Health and Human Services direction in designing programs to support those objectives.

**JOINT SUBCOMMITTEE
PROPOSED LEGISLATION**

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1 The General Assembly of North Carolina enacts:

2 **SECTION 1.** The Joint Legislative Oversight Committee on Health and Human
3 Services and the Joint Legislative Education Oversight Committee may each appoint a
4 subcommittee to study medical education and medical residency programs. If appointed, the
5 subcommittees may consult each other and may elect to meet jointly, but each subcommittee is
6 authorized to work independently and report to its respective oversight committee.

7 **SECTION 2.(a)** The medical education and medical residency study may include
8 examination of the following:

- 9 (1) The health care needs of the State's residents and the State's goals in meeting
10 those health care needs through the support and funding of medical education
11 and medical residency programs located within the State.
- 12 (2) The short-term and long-term benefits to the State for allocating State funds
13 to medical education and medical residency programs located within the State.
- 14 (3) Recommended changes and improvements to the State's current policies with
15 respect to allocating State funds and providing other support to medical
16 education programs and medical residency programs located within the State.
- 17 (4) Development of an evaluation protocol to be used by the State in determining
18 (i) the particular medical education programs and medical residency programs
19 to support with State funds and (ii) the amount of State funds to allocate to
20 these programs.
- 21 (5) Any other relevant issues deemed appropriate.

22 **SECTION 2.(b)** The study may include input from other states, stakeholders, and
23 national experts on medical education programs, medical residency programs, and health care,
24 as deemed necessary.

25 **SECTION 2.(c)** The study may examine the reports provided by the Department of
26 Health and Human Services and The University of North Carolina in accordance with S.L. 2017-
27 57, Section 11J.2.(c), and the report provided by the Department of Health and Human Services
28 in accordance with Section 3 of this act.

29 **SECTION 3.** No later than August 1, 2019, the Department of Health and Human
30 Services shall submit to the Joint Legislative Oversight Committee on Health and Human
31 Services, the Joint Legislative Education Oversight Committee, and the Joint Legislative
32 Oversight Committee on Medicaid and NC Health Choice, a report on medical education and
33 residency programs. This report shall be developed in collaboration with the Cecil G. Sheps
34 Center for Health Services Research at the University of North Carolina at Chapel Hill, the North
35 Carolina Area Health Education Centers, the North Carolina Institute of Medicine, the University
36 of North Carolina at Chapel Hill School of Medicine, and the Brody School of Medicine at East
37 Carolina University. The report shall be used to facilitate the development of measurable
38 objectives, along with specified timeframes for achievement, which will be used by the State
39 when funding medical education and residency programs addressing the health care needs
40 throughout the State, particularly increased health care access in rural areas. The report shall
41 contain the following information:

- 42 (1) Detailed information about North Carolina medical school student slots,
43 residency slots, and intern slots, including the number of slots for each
44 medical school and residency program and how these slots have changed over
45 time. This information shall include the slot caps set by Medicare and other
46 agencies, the methodology used to establish those slot caps, information on
47 how the slot caps have changed over time, and how changes to the slot caps

1 may be accomplished in the future. This information shall also include an
2 assessment of the effect of the slot caps on each medical school and residency
3 program in North Carolina.

- 4 (2) Suggested overall objectives for the medical education and residency
5 programs in the State, including identified outcomes and goals to meet the
6 needs of rural areas.
- 7 (3) Total funding for the North Carolina Area Health Education Centers for the
8 past three fiscal years, the primary purposes of the funding, and outcomes that
9 have been achieved relative to those purposes.
- 10 (4) Total funding for the University of North Carolina at Chapel Hill School of
11 Medicine and the Brody School of Medicine at East Carolina University for
12 the past three fiscal years. This shall include an analysis of the cost of
13 operating each school of medicine compared to the total funding for each
14 school of medicine.
- 15 (5) The total reimbursement paid to hospitals related to Graduate Medical
16 Education (GME) through the Medicaid program, including all of the
17 following methodologies: receipts, claims payments, cost settlements,
18 enhanced payments, and equity supplemental payments. This shall include an
19 analysis of the funding source for this reimbursement, including how much of
20 the funding is provided by the State, by hospitals, and by the federal
21 government.
- 22 (6) A detailed explanation of all Medicaid GME reimbursement methodologies
23 that the Department of Health and Human Services intends to use, or is using,
24 under the transformed North Carolina Medicaid and North Carolina Health
25 Choice programs as described in S.L. 2015-245, as amended by Section 2 of
26 S.L. 2016-121, Section 11H.17 of S.L. 2017-57, and Section 4 of 2017-186.
27 This explanation shall include a rationale for any changes made to the
28 Medicaid GME reimbursement methodology, outcomes to be achieved by
29 these changes, and methods by which to measure these outcomes.
- 30 (7) Strategies, outside of the publically-funded programs, used by hospitals and
31 communities to attract and retain health care providers to rural areas.
- 32 (8) Any recommendations regarding a body to compile and oversee the State's
33 medical education and residency programs data, including whether this
34 additional oversight body is necessary. If an oversight body is recommended,
35 this recommendation shall also include the composition of that body, the
36 recommended agency to house the body, the duties of the body, the specific
37 information the body is to oversee, the mechanism by which the body will
38 collect the data, and any funding needs for the body.
- 39 (9) An analysis of how other states have modified or developed funding to meet
40 the need in rural areas regarding the recruitment and retention of health care
41 providers, including the use of Medicaid funding, loan forgiveness, and loan
42 repayment. This analysis should include the processes by which other states
43 have identified the need for health care providers by specialty or location and
44 the outcomes achieved.
- 45 (10) Any limitations or parameters set by other entities that may restrict the State's
46 ability to modify programs that support the State's objectives, including (i)

1 Medicaid reimbursement for GME, (ii) loan forgiveness, (iii) loan repayment,
2 or (iv) other sources of funding.

3 **SECTION 4.** A subcommittee authorized by this act and appointed shall develop a
4 proposal for a statewide plan to support medical education programs and medical residency
5 programs within North Carolina in a manner that maximizes the impact of financial and other
6 support provided by the State for these programs and addresses the short-term and long-term
7 health care needs of the State's residents, particularly increased health care access in rural areas.
8 A subcommittee authorized by this act and appointed, may provide an interim report to its
9 respective oversight committee by November 1, 2018, and shall report to its respective oversight
10 committee on or before March 1, 2020, at which time a subcommittee authorized by this act shall
11 terminate.

12 **SECTION 5.** This act is effective when it becomes law.
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