



Board of Supervisors Memorandum

July 7, 2009

Southern Arizona Initiative to Improve Access to Healthcare and Alleviate Physician Shortages

Background

House Bill 2789, passed in a previous legislative session, permits use of local, county and tribal funds as state match through the Arizona Health Care Cost Containment System (AHCCCS) to generate new federal funds for the purpose of Graduate Medical Education (GME). This legislation has become the crucial vehicle for maintaining funding to GME as the federal and state fiscal crisis resulted in the elimination of much of the new state funding for GME that had been secured over the past few years.

Based on HB 2789, AHCCCS pursued federal approval by the Centers for Medicare and Medicaid Services (CMS) to fund GME using local funds contributed equally by the University of Arizona and Pima County in order to generate new federal funding. The new federal funding is crucial to the ability of UPH to implement the new GME programs at UPH Hospital and for UMC and UPH to maintain certain existing GME programs with the current number of residency slots and physician faculty.

In August of 2008, the collaborative efforts of the University Medical Center (UMC), University Physicians Healthcare (UPH), the University of Arizona (U of A) and Pima County working with the state's Medicaid program known as the Arizona Healthcare Cost Containment System (AHCCCS) leveraged \$7.2 million in federal funding through the local match funded equally by Pima County and the U of A. A memorandum from the County Administrator to the Board of Supervisors dated July 25, 2008, described in detail the physician shortage and the work efforts of the collaborative.

This year as a result of the federal stimulus legislation which provides a higher match rate, the effort will result in \$18.5 million in federal funding. The local match of nearly \$6 million will once again be funded equally by Pima County and the U of A.

Status of Physician Training Expansion

Since 1985, UMC has served as the primary teaching hospital for the U of A. Beginning in 2005, residents from the program based at UMC began rotating at UPH Hospital to enhance patient services at the site and offer unique rotations not available at UMC. As shown on the following table, the number of residents from the UMC program rotated at UPH Hospital has grown from 10 in fiscal year 2006 to a projected 36 for fiscal year 2010. The newest GME program co-sponsored by UPH and the U of A began in fiscal year 2009 with 17 residents and is doubling in size to 35 residents for fiscal year 2010.

Table 1

Total Physicians Training at UPH Hospital

GME Reimbursement Summary	Actual FY 2006	Actual FY 2007	Actual FY 2008	Annualized FY 2009	Projection FY 2010
Number of New GME Residents	0	0	0	17	35
Number of Existing Residents	10	17	28.1	36	36
Resident FTE Buildup	10	17	28.1	53	71

The newest GME program is expected to grow further to a total of 100 residents in training when fully implemented. The following table depicts the projected growth by training program.

Table 2

**Projected Total Number of Physicians in Newest GME Program
 (Excludes UMC residents rotating at UPH Hospital)**

Specialty	Program Start Date	Resident Slots FY09	Goal Slots Available FY10	Goal Slots Available FY11	Current Resident Projection
Emergency Medicine	Pending Approval July 2010	NA	0	6	18
Family Medicine	July 2010	0	0	10	18
Internal Medicine*	July 2008	11	16*	16	16
Neurology*	July 2009	0	4	6	8
Ophthalmology	July 2009	0	4	6	6
Psychiatry*	July 2008	6	11	18	24
Surgery	Pending Approval July 2010	0	0	2	10
Radiology*	Voluntary Withdrawl	0	0	0	0
TOTAL		17	35	64	100

Note Internal Medicine: Increase in resident count is due to 1 chief resident being funded by the Department of Medicine.

Note Neurology: Increase in resident count is due to an increase in program duration from 36 to 48 months.

Note Psychiatry: Original program projections were 12 residents. Pending ACGME approval, psychiatry resident count is estimated at 24.

Note Radiology: UPH/UA has made the decision to voluntarily withdraw the program due to a change in RRC requirements. This change requires UPH Hospital to have a minimum of 8 radiologists based at our hospital representing each of the core specialties.

Immediate Benefits to Pima County and Arizona

Preserving residents in the current UMC GME program and expanding the number of residents in the community through the addition of the new GME program at UPH Hospital will yield several immediate benefits to Arizona. This initiative provides financial resources to address major factors contributing to physician recruitment and retention by adjusting compensation to more closely align UACOM faculty compensation with competitive levels nationally. Furthermore, the expanded GME program will increase physician faculty and enable the U of A to further expand resident training slots and grow the College of Medicine training program substantially.

The efforts made by these collaborators will improve access to healthcare services in Arizona by augmenting the scope and availability of a larger array of clinical services to patients in rural and urban areas in Southern Arizona, through greater numbers of physicians to include both faculty and residents in the GME programs. A prime example of improved accessibility to care can be seen in the addition of not only new first and second year residents, but also from the continued presence of fellows who are in fourth, fifth and sixth years of training and are rotating at UPH Hospital.

This level of physician staffing permits 24 hours a day, 7 days a week coverage of certain specialty services for the UPH Hospital emergency department. A lack of specialty physicians has been a key area of concern for ED physicians as they have struggled to meet the demands for care in this area of workforce shortage. Their concerns were highlighted in a series of front page newspaper articles last fall detailing instances in which ED patients did not have access to the care they required as no specialty physicians were available. The articles noted that in some cases, patients were moving to other states as a result of the lack of necessary physicians in Arizona.

Long Term Benefits to Pima County and Arizona

Arizona will continue to benefit from the expansion of the UACOM GME program for years to come. By 2012, it is anticipated that 100 additional physicians will be training in the UACOM GME program based at UPH Hospital. Additionally, new physician faculty will be added for the expanded training program and will have dual responsibility for training and the provision of clinical services to patients.

The number of graduates who will establish new physician practices in Arizona can reasonably be expected to increase as a result of the additional new physicians in training. Based on historical data, 50 percent of the physicians training in a particular geographic area can be expected to remain in that area and establish a practice. Arizona may choose to implement strategies, similar to those being implemented in other states, which combined with its other geographic attributes will lead to a greater rate of retention of physicians in training.

Retention of the residents completing training will enable UMC and UPH Hospital to fill critical vacancies in services such as trauma care and related specialties, neurology, and primary care. Again, access to care in Arizona will be improved dramatically at both UMC and UPH Hospital through the addition of residents in the GME programs, physician faculty, and the revitalization of hospital beds and services.

Next Steps

Approval of three key documents: 1) the amended lease between Pima County and UPH, 2) the IGA between Pima County and the U of A and 3) the IGA between Pima County and AHCCCS form the legal framework for the U of A and Pima County to contribute equally to the local match and transmit the funds through Pima County to AHCCCS which will submit the request to CMS and subsequently distribute the total funding (match plus new federal funds) to UMC and UPH Hospital. A separate document between UMC and UPH addresses the specific funding distribution between those two parties to preserve 150 physicians in training (79 graduate level positions in training at UMC and funded by UPH; 36 rotating at UPH Hospital from the UMC program and paid for by UPH; 35 in the newest GME program). Additionally, funding is used for the 7.5 FTE residents at UMC in excess of the cap applied to funding of residents by the Medicare program.

In the future, UPH and the U of A will continue to examine their organizational structures to identify an optimally efficient framework for achieving workforce development goals. A contract has been executed between the U of A and Chartis and jointly funded by UPH and UMC. Chartis will build on the work of Tripp Umbach, Ernst & Young and others who have or continue to be engaged in examining the strategies to enable UPH Hospital to transition to its next phase of development with an improved financial performance.

UPH has submitted a proposal requesting that the County make three equal payments \$2,309,148.99 for July, August and September 2009 totaling \$6,927,446.98. In exchange for accelerating payments, UPH offered a 7.4 percent discount in the amount of \$138,673.02. Staff has determined the discount is greater than the investment income the County could generate by adhering to the monthly payment schedule currently specified in the lease.

Recommendations

It is respectfully recommended that the Board approve the following:

- 1.) The amendment to the lease between the County and University Physicians Healthcare for the former Kino Hospital and certain parcels of land on the Kino Campus that will:
 - a. reduce the current year lease payment obligation by \$2,933,880.18 of general funds which will be redirected toward the joint and equal commitment of match funding for GME costs by the County and the U of A;
 - b. accelerate payments to UPH in exchange for a 7.4 percent discount resulting in a payment schedule of three equal payments during July, August and September 2009 of \$2,309,148.99 for each month;

It should be noted that this is the same (less discount) payment of \$10 million as called for in the present lease between Pima County and UPH.

The Honorable Chairman and Members, Pima County Board of Supervisors

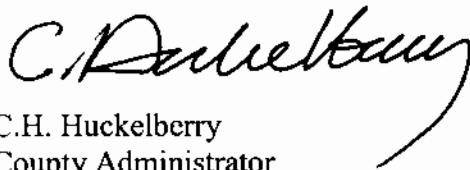
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- 2.) The IGA between the County and the Arizona Board of Regents, on behalf of the U of A, that will allow the U of A to provide 50 percent of match funding (\$2,933,880.18) that the County will then combine with its own \$2,933,880.18 to generate the state funding for the federal match dollars; and
- 3.) The IGA between the County and AHCCCS which will allow the County to provide AHCCCS with the combined County and U of A contributions totaling \$5,867,760.36 in match to secure the \$18,510,139 in new federal funds which AHCCCS will then distribute to UMC and UPH Hospital.

Respectfully submitted,



C.H. Huckelberry
County Administrator

CHH/jj (July 2, 2009)