

Funding for Graduate Medical Education

Funding for Graduate Medical Education (GME) is derived from both public and private sources. The federal government is by far the largest contributor to GME. Federal investments in GME occur through various programs that support physician workforce development. These programs are managed by agencies within the Department of Health and Human Services, Department of Veterans Affairs, and Department of Defense.

Centers for Medicare and Medicaid

Medicare, the largest source of federal GME funding, provides support for GME through two types of payments: direct (DGME) and indirect (IME)¹. The number of residents that a hospital may receive payment for is “capped” due to a provision in the Balanced Budget Act of 1997 which limits the number of positions or slots that Medicare can fund². This “cap” on the number of FTE residents Medicare will support is calculated for each hospital once a new teaching program reaches its fifth year.

Note: *The Consolidated Appropriations Act of 2021 added 1000 new Medicare-funded residency positions for the first time since 1997³.*

Medicaid, a joint federal-state program, is the second largest source of support for GME⁴. Through this program, states may elect to recognize GME training costs as a component of overall hospital costs. The federal government shares payment for these expenses through federal matching funds.

Health Resources and Services Administration (HRSA)

Children’s Hospital GME Program

The Children’s Hospitals Graduate Medical Education (CHGME) payment program provides direct financial support to freestanding children’s hospitals to train pediatricians and pediatric subspecialists.

Teaching Health Center GME Program

The Teaching Health Center Graduate Medical Education program (THCGME) provides payments to outpatient facilities (such as federal health centers) to support the training of primary care⁵ medical residents.

HRSA also supports residency and fellowship programs targeted at specific areas of medicine, such as addiction medicine fellowship programs and preventive medicine residency programs. It also helps programs get established through Rural Residency Planning and Development Program funding.

Department of Veterans Affairs

The Department of Veterans Affairs (VA) provides financial support for GME training at its facilities through disbursement payments to its academic affiliates and educational support payments for its VA medical facilities.

Department of Defense

The Department of Defense (DOD) trains residents who have acquired a uniformed service obligation through a DOD physician training program. GME is funded through the annual DOD appropriation in the Defense Health Program budget.

¹ Heisler, E., Mendez, B., Mitchell, A., Panangala, S.V., Villagrana, M. (2018) *Federal Support for Graduate Medical Education: An Overview* (CRS Report No. R44376) Retrieved from Congressional Research Service Website: [Federal Support for Graduate Medical Education: An Overview \(congress.gov\)](https://www.congress.gov/resources/document/federal-support-for-graduate-medical-education-an-overview/congress.gov)

² Heisler, E., Mendez, B., Mitchell, A., Panangala, S.V., Villagrana, M. (2018) *Federal Support for Graduate Medical Education: An Overview* (CRS Report No. R44376) Retrieved from Congressional Research Service Website: [Federal Support for Graduate Medical Education: An Overview \(congress.gov\)](https://www.congress.gov/resources/document/federal-support-for-graduate-medical-education-an-overview/congress.gov)

³ Kristin Schleiter Hitchell, Lauren Johnson; CMS Finalizes Rules for Distribution of 1000 New Medicare-Funded Residency Positions and Changes to Rural Training Track Programs. *J Grad Med Educ* 1 April 2022; 14 (2): 245–249. doi: <https://doi.org/10.4300/JGME-D-22-00193.1>

⁴ Mitchell, A., Baumrucker, E., Colello, K., Napili, A., Binder, C., Keyser, J. (2021) *Medicaid: An Overview* (CRS Report No. R43357) Retrieved from Congressional Research Service Website: [Medicaid: An Overview \(congress.gov\)](https://www.congress.gov/resources/document/medicaid-an-overview/congress.gov)

⁵ Eligible specialties include family medicine, internal medicine, pediatrics, combined training in internal medicine-pediatrics, obstetrics and gynecology, psychiatry, and general surgery