In a plan that health experts greeted as brilliant and bizarre, federal regulators announced on Monday that for the next six years they would pay New York state hospitals not to train physicians.

Just as the federal government for many years paid corn farmers to let fields lie fallow, 41 of New York state's teaching hospitals will be paid $400 million not to cultivate so many new doctors, their main cash crop.

The plan's primary purpose is to stem a growing surplus of doctors in parts of the nation and to save government money. But the payments are manna to New York's cash-starved hospitals, which are struggling to trim the size of their staffs and adapt to the world of managed care.

Health experts across the country were stunned by the plan, which is officially titled the Medicare Graduate Medical Education Demonstration Project. It was approved by the Health Care Finance Administration, which is part of the Department of Health and Human Services.

"It's an amazing treatment of health care as a commodity--like grain or milk or meat," said Dr. Alan Hillman, a professor of health policy at the University of Pennsylvania. "I've never heard anything like this before. But I really can't find any fault with it. Maybe this is one of the first rational collaborations between hospitals and the government."

The plan required no congressional action and thus was not debated by senators and representatives from other states. But hospital executives around the nation expressed concern that the federal agency was playing favorites with New York hospitals because of their political connections and financial clout.

The plan was drawn up and proposed by officials of the Greater New York Hospital Association, a powerful industry group; New York's senators, Daniel Patrick Moynihan and Alfonse D'Amato, are among the most influential legislators in the country, especially on matters of health policy; and New York--including its hospital union--strongly supported President Clinton's re-election last year.

New York trains 15% of the nation's doctors, making it by far the country's leading producer of new physicians. The next largest is California, at 9%. The federal government finances much of that training through its Medicare program, which pays hospitals up to about $100,000 a year for each resident they train.

Under the new program, 41 hospitals in the state have agreed to reduce the number of residents they train by 20% to 25% over the next six years, resulting in 2,000 fewer residents in the state. In exchange, Medicare will initially continue to pay participating hospitals as if those young doctors were still there, slowly phasing out the payments over the next six years.

The plan is a novel approach to confronting a perpetual sticking point in health care: the oversupply of doctors in many specialties and in many parts of the country, which health economists say results in unnecessary tests and procedures and drives up medical costs. Although health experts have been complaining for almost a decade that the country has been producing too many doctors, generous Medicare training subsidies have meant that hospitals continue to churn them out.

"I believe this will be a pathbreaking project," said Bruce Vladeck, the administrator of the Health Care Financing Administration, who announced the program. "For the first time in 20 years our goals for graduate medical education and the financial incentives will be in line with one another."

Dr. Bruce Siegel, the president of Tampa General Hospital, admitted to envy and some resentment that hospitals in other parts of the country were not involved. "This is a real coup for New York teaching hospitals," he said. "How can we get in on it?"

Siegel, a former president of New York City's Health and Hospitals Corp., noted that many hospitals throughout the nation were reducing the number of doctors they trained, too. But without federal help, he said, "a lot of us are having to cut back on residents and we're suffering the reimbursement implications of that immediately."

Siegel said that the increasingly powerful health maintenance organizations had pushed hospitals to rely less on residents. He added that as managed care companies were insisting on shorter hospital stays and were reducing the number of hospital procedures, many medical centers were finding they no longer had enough patients to train all the residents they employ.

Vladeck acknowledged that some Republican congressmen had complained that the plan had been offered solely to hospitals in New York, but added that demonstration projects are intended to test the strategy and are necessarily somewhat limited in scope.
"If other people think this is a good deal, they have the power to make it more available," he said, noting that Medicare legislation could offer a similar program in other parts of the country. Vladeck was previously a health-care executive in New York.

The program is voluntary, but 41 hospitals in New York are participating, including virtually all of its major medical centers. Each hospital has agreed either to cut the number of residents by 25% over 6 years, or by 20% while improving primary care training. During the first year, the hospitals will get as much Medicare money for medical training as they would if they were educating as many doctors as they are now, Vladeck said.

During the second year they would receive 95% of that amount, then 85% in the third year, and continuing to drop to zero in the 7th year. By then, the hospitals will be paid only for the residents they are actually training.

Hospitals have to decide by Friday how many training positions to offer to new residents who begin on July 1. Officials at the Greater New York Hospital Association predicted that there would be 300 to 400 fewer residency positions in New York's hospitals next year.

"Under this voluntary demonstration project, participating hospitals will be partly cushioned from financial loss as they reduce the number of residents they train and restructure their training programs to respond to the new marketplace," said Kenneth Raske, president of the Greater New York Hospital Association.

"AMA Group: Trim Foreign Med Students"
by Steven Findlay. USA Today, 2/26/97.

A coalition of doctors' and medical groups this week will urge bolder steps to be taken to cut the growing oversupply of US doctors, including a sure-to-be-controversial proposal to reduce the number of foreign medical school graduates.

The coalition, spearheaded by the American Medical Association and the Association of American Medical Colleges, wants to bar all but a small fraction of foreign-born doctors from remaining in the USA after training here.

The problem, says the coalition in a report out Friday, is that the majority of these new doctors--about 75%--stay in the United States.

As a result, 20% of the USA's 720,300 doctors are now foreign born--about the same proportion deemed excessive by experts.

About 22% of the 110,000 doctors in US residency programs are now foreign graduates, up from 10% in 1988.

"We just don't need that many," says William Jacott of the AMA's board of trustees.

Not so, says John Ronches, executive director of the Committee of Internists and Residents in new York City, a doctor's union.

"The foreign-trained doctors practice in the inner cities and rural areas," Ronches says.

"We don't have an oversupply. We have a maldistribution of doctors that won't be solved by cutting the number who are foreign-trained."

The coalition suggests that a few foreign doctors who agree to practice in underserved areas be allowed to stay in the United States.

But it says it's time for US-trained medical graduates to meet most of the demand. It suggests incentive programs to get American doctors to move to inner cities and rural areas.

Ronches says such initiatives have failed in the past. Other proposals recommended by the coalition:

* Calling on the federal government, which reimburses hospitals for a large share of doctor training, to test innovative programs to reduce the number of residencies, particularly for specialists.

Jacott says a pilot program in New York fits the bill. The Health Care Financing Administration will pay New York hospitals $400 million in the next six years to cut by 25% the number of doctors in training in the city.

* Programs to explore using nonphysician health professionals in some inner-city hospitals that have traditionally relied on foreign medical students.