

## NEWS RELEASE

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### **Residency Program will remain at SMCSR**

SANTA ROSA-Sutter Medical Center of Santa Rosa (SMCSR) announced today the end of planning efforts for the Consortium as it was originally created to share funding for the Santa Rosa Family Medicine Residency Program (Residency Program). SMCSR officials cite Medicare reimbursement funding rules and other financial obstacles preventing the Consortium model from moving forward as planned. The Residency Program will continue to operate as it has since 1996, remaining under the funding of SMCSR.

“Our goal in establishing the Consortium model was to provide a broader base of financial support for the program. Planning for the implementation of the Consortium business model was underway until we discovered funding obstacles. SMCSR will continue to work with other health care organizations in the community to provide an excellent educational experience for the residents,” said Mike Cohill, CEO, Sutter Medical Center of Santa Rosa.

The Consortium partners met on Thursday evening and recognized that, despite the value of the Consortium model, the business plan will not work due to Medicare rules prohibiting the funding model. The Consortium will take the next 30 days to evaluate its academic role going forward to collaborate to preserve and enhance the Residency Program.

The Residency Program is a three-year training program in Family Medicine affiliated with UCSF and fully accredited by the Accreditation Council for Graduate Medical Education (ACGME). Since 1938, the Residency Program has trained over 574 Family Medicine physicians and continues to be the largest single source of family physicians to Sonoma County. Residency graduates comprise nearly half the family physicians in Sonoma County. SMCSR has been the major funding source for the Residency Program since 1996, after taking over sponsorship from Sonoma County’s Community Hospital as part of the Health Care Access Agreement (HCAA) between SMCSR and Sonoma County.

In 2008, a five year business plan was prepared by SMCSR in collaboration with the Consortium detailing the planned transfer, funding, governance, and operation of the Consortium. Sonoma County Board of Supervisors approved the business plan in October 2008. The intended membership and governance of the Consortium included representatives from all the major health care organizations in Santa Rosa, including Sutter Medical Center of Santa Rosa, Sutter Medical Foundation North Bay, Kaiser Foundation Hospitals, The Permanente Medical Group, Southwest Community Health Center, the University of California San Francisco (UCSF), Sonoma County Department of Health Services, and Santa Rosa Memorial Hospital.

Under the Consortium five year business plan, SMCSR was to share funding of the Residency Program with Kaiser Permanente. SMCSR would have continued to be the major funder of the Program, contributing \$4 million annually. The primary source of SMCSR’s funding is reimbursement revenue from Medicare to hospitals providing medical education. Kaiser Permanente planned to be a second major funder, contributing \$2.7 million annually designated for residents’ salaries and benefits in addition to hundreds of devoted faculty hours. The Consortium planned to directly employ thirty-six residents and contract with Sutter Medical Foundation North Bay for faculty.

“SMCSR remains committed to our goal to enrich and diversify the learning experience for physicians in the Residency Program and will work with Kaiser Permanente and other health care providers in the community to identify ways to collaborate. Our hope is that we can continue to work with Kaiser Permanente and others in our health care community as academic partners to enrich Residency Program education and training,” said Cohill.

The main obstacle encountered in implementing the Consortium model is a Medicare rule that would have eliminated Medicare payments to the hospital for medical education. The hospital must incur at least 90% of the total cost of the residents’ salaries and benefits and teaching supervision costs in order to qualify for Medicare reimbursement related to resident rotations at non-Sutter sites. Kaiser Permanente’s commitment of \$2.7 million annually was restricted to fund residents’ salaries and benefits due to the structure of Kaiser Permanente’s funding process. Kaiser Permanente and Sutter representatives worked diligently to find a solution to the 90% rule imposed by Medicare that would not jeopardize SMCSR’s Medicare revenue. Unable to reach a solution, SMCSR determined that the funding of the Residency Program needed to be maintained entirely by SMCSR.

“Unfortunately, the Medicare restrictions prevented moving the Consortium model forward because SMCSR would lose Medicare medical education reimbursement, causing an additional \$8.9 million deficit in funding the Residency Program over the first five years of the Consortium. SMCSR has no other funding source to replace lost Medicare reimbursement for the Residency Program,” said Cohill.

SMCSR will continue its support of the Residency Program pursuant to the HCAA with the County of Sonoma. Southwest Community Health Center will continue to operate the Family Practice Center, where the residents obtain the majority of their clinical training via the existing affiliation agreement with SMCSR.

“SMCSR is fully committed to the ongoing operation of the Residency Program. We recognize the value of the Residency Program to the community as well as the contribution of Consortium stakeholders. All efforts will be made to continue to attract high quality medical professionals who stay and build Family Medicine practices in the community,” said Mike Cohill.

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