Academic medical centers face many challenges, but federal lawmakers and agencies are attempting to give them some new opportunities.

Many outstanding physicians, while conducting successful practices, want to contribute to their profession, their communities, and the human sciences, by teaching young physicians, providing indigent care, and engaging in meaningful research. Medical schools need successful practitioners on their faculties. The paying patients they bring provide a diverse base for teaching and research. Just as important is the financial contribution a faculty member’s professional practice brings to the medical school.

Many lay people think of a medical school as they do other professional schools – buildings where people teach and where operations are funded by tuition payments, endowment income, and in the instance of some public institutions, allocations of public funds. In reality, most medical schools are very heavily dependent upon their faculty members’ professional services rendered to paying patients.

The faculty members, while paid a salary by the medical school, usually must pay a portion of the revenues from their professional practice to the school. These funds are essential to the medical school’s operations. In many instances, the faculty members are all employees of a single “faculty practice plan” which collects all of the revenues from their professional practices and pays them a salary based on various formulae. A medical school with great teachers and researchers, but few practitioners competing effectively in the marketplace for paying patients, will not have the great teachers and researchers long. It will run out of money.

The Centers for Medicare and Medicaid Services (CMS) has recognized that academic medical centers (AMCs) need to be allowed to compensate their faculty members in creative ways, in order to attract the successful practitioners they will need to thrive in the days of continuing reimbursement caps and cutbacks which lie ahead. After all, AMCs have taken some heavy hits
Academic Medical Centers Face New Challenges and Opportunities

As newspapers around the nation have widely reported, faculty members can get in trouble when they do not supervise residents as the federal government thinks appropriate, while billing for services the residents participate in performing. In 1995, the University of Pennsylvania agreed to pay $30 million to settle federal allegations of “false claims” by its faculty members. The Medicare program pays a prospectively set amount per resident to assist in the education of graduates of medical schools. The Government argued that the University’s teaching faculty improperly overbilled Medicare for care provided by unsupervised or undersupervised residents. The attraction of an academic medical practice fades if a physician thinks he or she is facing serious federal charges for mishandling resident supervision.

CMS has not solved the resident supervision problem, but it has given medical schools fairly wide latitude in compensation faculty members for their services as university employees -- despite the rigors of the Stark Law. CMS’s Stark Law regulations include a special exception for employed physicians who are bona fide faculty members. This means that, if the standards of the regulation are followed, the university’s teaching hospital, its various ancillary services, and other components of its academic medical center, can all contribute funds to pay the faculty members’ “fair market value” compensation – even though the faculty member is referring patients to the AMC components for their provision of “designated health services” covered by the Stark Law’s general no referral rule.

The successful academic medical centers of the future will use this AMC exception, and other rules from the Stark regulations, to attract and retain the dynamic physicians they will need to survive and prosper.

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