

MEDICAL EDUCATION AND RESEARCH COSTS (MERC)

2002 TRUST FUND DISTRIBUTION

The MERC Fund was established in 1996 to provide funding for the clinical training of selected medical professions. The purpose of this funding is to compensate teaching facilities for a portion of the costs of clinical training provided in patient care settings. Historically, teaching institutions covered a portion of these costs by setting patient charges above what they would be in a non-teaching environment. However, due to the implementation of managed care and other cost containment mechanisms, it became increasingly difficult for teaching facilities to collect this teaching increment, leaving these facilities at a competitive disadvantage. With the shift away from inpatient care and reductions in Medicare funding of medical education, teaching facilities are finding it more difficult to fund the costs of clinical training.

In response to these financial pressures, the MERC Fund has distributed grants to clinical training sites since 1998. Over the past five years, the MERC Fund has distributed \$101 million to clinical training sites around the state. In 2002, MERC distributed approximately \$20.5 million, comprised of \$8.8 million from the tobacco settlement fund established by the 1999 Legislature, \$11.3 million in federal Medicaid matching funds (which included a match on the tobacco fund and a temporary loan of \$4.85 million from the University of Minnesota's Academic Health Center), along with additional funding rolled over from the prior year.

In addition to these funding sources, additional funds for distribution come from the carveout of the medical education component of Medicaid capitation rates paid to HMOs and the transfer of these funds to MERC. Federal approval for this carveout was received in August of 2000, with the first removal and transfer of funds on October 1, 2000. This distribution, known as the PMAP distribution, occurs biannually in January and July.

2002 MERC Fund Distribution

Applications for grants from the MERC Fund are submitted by sponsoring institutions (organizations that are financially or organizationally responsible for one or more teaching programs) on behalf of the programs they sponsor. Each teaching program uses clinical training sites to provide training to the provider types listed to the right. Since the MERC grants are designed to offset costs at clinical training sites, not at sponsoring institutions, the sponsoring institutions are obligated to forward the grants on to the clinics or hospitals at which their students' or residents' training was provided. A facility may be both a sponsoring institution and a training site. Training sites often support trainees from multiple sponsoring institutions and programs. Currently, nine provider types (listed at right) are eligible for MERC grants.

Provider types eligible for grants from the 2002 MERC Fund

Advanced Practice Nurses
Chiropractic Students
Dental Residents
Dental Students
Medical Residents
Medical Students
PharmD Residents
PharmD Students
Physician Assistants

In 2002, the MERC Fund distributed grants to 18 sponsoring institutions representing 152 training programs, over 450 distinct training sites, and 2,873 trainees. The table below shows a breakdown of the 2002 distribution by sponsoring institution.

MERC 2002 Distribution

Sponsoring Institution	Programs	Sites	Non-Eligible FTEs			Total	Total	2002	% of
			Didactic	Non-MN	Other	Non-Eligible FTEs	Eligible FTEs	Grant Amount	Trust Fund
ABBOTT NORTHWESTERN HOSPITAL	2	21	1.620	0.160	0.680	2.460	28.040	\$269,602	1.32%
AUGSBURG COLLEGE	1	66	0.000	1.700	0.500	2.200	30.000	\$64,189	0.31%
COLLEGE OF ST. CATHERINE	1	56	32.375	0.000	0.209	32.584	23.869	\$92,275	0.45%
COLLEGE OF ST. SCHOLASTICA	2	43	27.720	3.950	1.466	33.136	22.320	\$86,287	0.42%
DULUTH GRADUATE MEDICAL EDUCATION COUNCIL	1	4	0.000	0.000	0.000	0.000	29.000	\$284,458	1.39%
HENNEPIN COUNTY MEDICAL CENTER	9	17	0.000	0.000	0.000	0.000	200.900	\$1,968,607	9.60%
MAYO FOUNDATION	61	205	102.650	34.110	36.030	172.790	935.796	\$8,283,112	40.41%
MERCY HOSPITAL	1	7	0.460	0.000	0.010	0.470	1.780	\$17,460	0.09%
METROPOLITAN STATE UNIVERSITY	1	34	3.300	0.000	0.165	3.465	6.230	\$24,085	0.12%
MINNEAPOLIS SPORTS MEDICINE CENTER	1	4	0.480	0.000	0.000	0.480	1.940	\$19,029	0.09%
MINNESOTA STATE UNIVERSITY, MANKATO	1	13	32.000	1.000	0.000	33.000	11.345	\$43,859	0.21%
NORTHWESTERN HEALTH SCIENCES UNIVERSITY	1	55	547.900	0.000	98.200	646.100	97.750	\$225,800	1.10%
REGIONS HOSPITAL	5	30	0.000	1.390	5.170	6.560	69.830	\$684,955	3.34%
ST. MARY'S UNIVERSITY OF MINNESOTA	1	12	12.000	4.000	0.000	16.000	35.000	\$135,307	0.66%
UNITED HOSPITAL	1	35	1.242	0.883	0.157	2.282	15.804	\$155,020	0.76%
UNITED HOSPITAL AND CHILDREN'S HEALTHCARE	2	4	0.500	0.000	0.000	0.500	2.500	\$9,579	0.05%
UNIVERSITY OF MN ACADEMIC HEALTH CENTER	59	453	424.920	27.400	254.930	707.250	1,346.096	\$8,077,978	39.41%
WINONA STATE UNIVERSITY	2	14	0.000	7.400	0.000	7.400	14.950	\$57,795	0.28%
Total	152	1,073	1,187.167	81.993	397.517	1,666.677	2,873.150	\$20,499,396	100.00%

Distribution of MERC funds is governed by a formula that first calculates average clinical training costs per trainee for each provider type, then uses that figure to calculate a total cost for training eligible FTEs at each training site. A set percentage of costs is reimbursed for each site.

Distribution by Provider Type

Programs training medical residents accounted for 76% of the programs and 61% of the FTEs in 2002. The FTEs were over three times higher than the FTEs of next largest provider type. Consistent with previous years, the bar chart below indicates medical resident programs also have the highest average costs per trainee, which were in excess of \$161,000. Therefore, medical residents received just under 84% of the MERC Fund distribution in 2002.

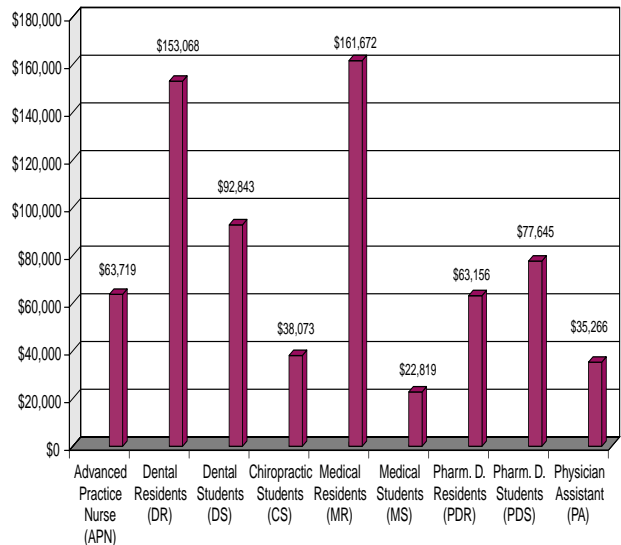
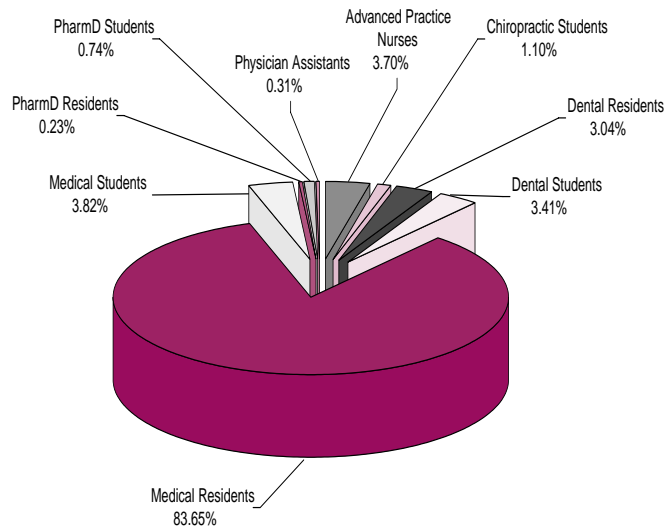
2002 MERC Grant Distribution by Provider Type

Provider Type	# of Programs	# of Sites	Eligible FTEs	Grant Amount	% of Trust Fund
Advanced Practice Nurses	11	268	196.11	\$758,142	3.70%
Chiropractic Students	1	55	97.75	\$225,800	1.10%
Dental Residents	12	21	67.03	\$622,499	3.04%
Dental Students	1	1	123.97	\$698,314	3.41%
Medical Residents	115	450	1748.214	\$17,148,040	83.65%
Medical Students	5	171	565.36	\$782,707	3.82%
PharmD Residents	5	14	12.45	\$47,706	0.23%
PharmD Students	1	27	32.266	\$152,000	0.74%
Physician Assistants	1	66	30	\$64,189	0.31%
Overall Total	152	1,073	2,873.15	\$20,499,396	100.00%

Average Cost of Clinical Training
per Trainee by Provider Type

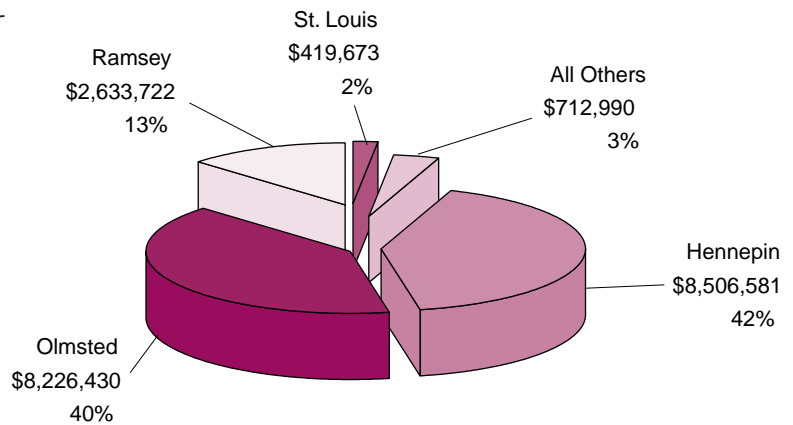
Based on Data from the MERC 2002 Application

Distribution of 2002 MERC Trust Fund by Provider Type



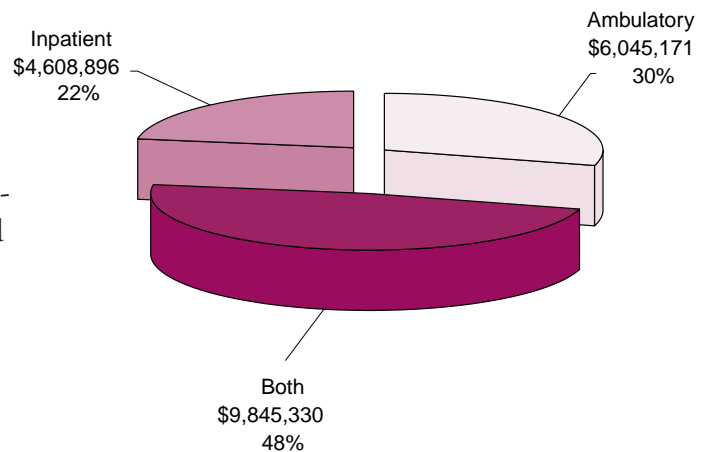
Distribution by County

In a breakdown of the distribution by county, the results coincide with the counties of the major teaching institutions. Hennepin County, which received slightly under 42% of the 2002 distribution, is home to many teaching facilities (Hennepin County Medical Center, University of Minnesota, and Abbott Northwestern Hospital, for example). Olmsted County received 40%. This is attributed to Mayo Hospital and Clinic. These two counties alone received just under 82% of the total grant.



Distribution by Setting

The training sites used by MERC-funded programs range from large inpatient facilities to smaller, one or two physician community based clinics or group practices. The MERC Fund Application collects information on the type of clinical setting at which trainees are located (i.e., inpatient, ambulatory, or a combination of the two). The 2002 MERC distribution showed an increase in training being completed in a combined inpatient and ambulatory setting. This is up from 36% last year to 48% in 2002.



Distribution by Site

The table below lists the training sites that received \$10,000 or more from the 2002 MERC Fund. Many of these facilities are training sites for multiple teaching programs; the table sums the grants that each site received from all training programs.

MERC 2002 GRANT Distribution by Sites > \$10,000

SITE NAME	TRAINING LOCATION	ELIGIBLE FTES	% OF GRANT	GRANT AMOUNT
ST MARYS HOSPITAL	ROCHESTER	399.170	16.99%	\$3,482,055
MAYO CLINIC	ROCHESTER	351.555	15.63%	\$3,203,636
FAIRVIEW UNIVERSITY MEDICAL CENTER	MINNEAPOLIS	395.690	13.92%	\$2,853,724
HENNEPIN COUNTY MEDICAL CENTER	MINNEAPOLIS	380.070	13.59%	\$2,785,721
REGIONS HOSPITAL	ST. PAUL	219.070	7.84%	\$1,606,151
ROCHESTER METHODIST HOSPITAL	ROCHESTER	160.310	6.72%	\$1,376,556
UNIVERSITY OF MN SCHOOL OF DENTISTRY	MINNEAPOLIS	164.130	5.23%	\$1,071,275
ALLINA MEDICAL GROUP - ABBOTT NORTHWESTERN HOSPITAL	MINNEAPOLIS	70.760	2.26%	\$462,543
CHILDREN'S HOSPITALS AND CLINICS ST. PAUL	ST. PAUL	48.054	1.46%	\$298,902
NORTH MEMORIAL MEDICAL CENTER	ROBBINSDALE	32.460	1.03%	\$211,819
METHODIST HOSPITAL	ST. LOUIS PARK	24.390	0.80%	\$164,270
CHILDREN'S HOSPITALS AND CLINICS - MINNEAPOLIS	MINNEAPOLIS	31.215	0.76%	\$156,132
MAYO PSYCHIATRY AND PSYCHOLOGY TREATMENT CENTER	ROCHESTER	22.240	0.74%	\$150,754
ST LUKES HOSPITAL	DULUTH	13.780	0.57%	\$117,382
SAINT MARYS MEDICAL CENTER	DULUTH	11.770	0.54%	\$111,525
HEALTHEAST ST JOSEPHS HOSPITAL	ST. PAUL	12.400	0.53%	\$108,994
UNITED HOSPITAL INC	ST. PAUL	11.870	0.50%	\$102,619
UAFP SMILEY'S CLINIC	MINNEAPOLIS	11.870	0.46%	\$94,528
HEALTHEAST ST JOHNS HOSPITAL	MAPLEWOOD	12.070	0.46%	\$93,347
DULUTH FAMILY PRACTICE CENTER	DULUTH	19.580	0.38%	\$77,654
UAFP NORTH MEMORIAL CLINIC	MINNEAPOLIS	8.265	0.35%	\$71,665
UAFP PHALEN VILLAGE	ST. PAUL	9.040	0.35%	\$70,981
CREEKSIDE FAMILY PHYSICIANS	ST. LOUIS PARK	9.710	0.34%	\$69,129
COMMUNITY UNIVERSITY HEALTH CARE CENTER	MINNEAPOLIS	8.940	0.32%	\$65,654
UAFP BETHESDA CLINIC	ST. PAUL	7.680	0.31%	\$63,825
NORTHWESTERN COLLEGE OF CHIROPRACTIC CLINIC BLOOMINGTON	BLOOMINGTON	27.600	0.31%	\$63,755
HEALTHPARTNERS BLOOMINGTON	BLOOMINGTON	6.220	0.28%	\$56,642
GILLETTE CHILDREN'S HOSPITAL	ST PAUL	6.320	0.26%	\$52,679
DULUTH CLINIC	DULUTH	23.926	0.23%	\$46,974
PARK NICOLLET CLINIC ST. LOUIS PARK	ST. LOUIS PARK	8.443	0.23%	\$46,274
UNITED FAMILY HEALTH CENTER	ST. PAUL	4.713	0.23%	\$46,229
IMMANUEL ST JOSEPHS HOSPITAL - MAYO HEALTH SYSTEM	MANKATO	4.810	0.22%	\$45,220
WASECA MEDICAL CENTER-MAYO HEALTH	WASECA	4.540	0.22%	\$44,364
WEST SIDE COMMUNITY HEALTH SERVICES	ST. PAUL	4.460	0.16%	\$33,203
MANKATO CLINIC LTD	MANKATO	5.240	0.15%	\$29,941
CENTRACARE CLINIC	ST. CLOUD	2.760	0.13%	\$27,073
ST CLOUD HOSPITAL	ST. CLOUD	3.028	0.13%	\$26,937
NORTHWESTERN COLLEGE OF CHIROPRACTIC CLINIC ST. PAUL	ST. PAUL	10.200	0.11%	\$23,562
MERCY HOSPITAL	COON RAPIDS	3.665	0.11%	\$23,291
HEALTHPARTNERS RIVERSIDE	MINNEAPOLIS	2.610	0.11%	\$23,074
UNITY HOSPITAL	FRIDLEY	3.137	0.09%	\$18,885
STAR CLINIC	MINNEAPOLIS	1.590	0.08%	\$15,596
FAIRVIEW SOUTHDALE HOSPITAL	MINNEAPOLIS	1.440	0.07%	\$14,125
HEALTHPARTNERS COMO	ST. PAUL	2.050	0.07%	\$13,957
NORTHWESTERN COLLEGE OF CHIROPRACTIC CLINIC BURNSVILLE	BURNSVILLE	5.800	0.07%	\$13,398
HEALTHPARTNERS ST PAUL	ST. PAUL	2.125	0.06%	\$12,938
ALLINA HOSPITAL AND CLINIC'S HOME HEALTH SERVICES	ROSEVILLE	2.617	0.06%	\$12,925
AUSTIN MEDICAL CENTER - MAYO HEALTH	AUSTIN	2.080	0.06%	\$11,607
MILLER DWAN MEDICAL CENTER	DULUTH	1.340	0.05%	\$11,123
NORTHWESTERN HEALTH SCIENCES UNIVERSITY UPTOWN	MINNEAPOLIS	4.500	0.05%	\$10,395

MERC Fund Distribution, 1998 - 2002

- In 2002, cost data was required for all programs. By statute, all programs are required to submit this information in the first year of each biennium.
- The number of teaching programs covered by MERC has remained fairly consistent with a slight decrease from the initial implementation of the MERC Fund in 1998.
- Eligible FTEs continue to increase at a rate of 2% to 3% per year as indicated by the table below (with the exception of 1999 where there was a slight decrease in the number of eligible FTEs). This increase is not necessarily evidence of a change in available training program slots; it may also reflect an increased awareness of the MERC program. Also contributing to the increase in 2002 was an increase in teaching programs and the addition of Metropolitan State University as a sponsoring institution.

Teaching Program & Eligible FTE Comparison		
Application Year	Teaching Programs	Eligible FTEs
1998	154	2,710
1999	158	2,663
2000	153	2,723
2001	149	2,789
2002	152	2,873

- The table below lists the MERC Fund distributions by provider type. Sites training chiropractic students were not eligible for MERC funds until 2000; therefore, only three years are listed. Sites training medical residents have consistently received the highest distribution of funds due to higher costs, a larger number of FTEs, and a larger number of teaching programs.

Distribution by Provider Type Comparison							
Provider Type	1998	1999	2000	2001	2002	Total	% of Funds
Advanced Practice Nurses	\$199,899	\$241,518	\$472,258	\$575,791	\$758,142	\$2,247,609	2.23%
Chiropractic Students			\$40,185	\$118,424	\$225,800	\$384,409	0.38%
Dental Residents	\$610,032	\$523,667	\$398,009	\$828,860	\$622,499	\$2,983,067	2.95%
Dental Students	\$668,771	\$670,241	\$465,463	\$930,235	\$698,314	\$3,433,024	3.40%
Medical Residents	\$15,435,778	\$17,839,758	\$12,889,456	\$23,141,371	\$17,148,040	\$86,454,403	85.59%
Medical Students	\$710,958	\$1,196,043	\$600,114	\$1,270,742	\$782,707	\$4,560,564	4.52%
PharmD Residents	\$58,255	\$40,943	\$47,636	\$69,802	\$47,706	\$264,342	0.26%
PharmD Students	\$37,649	\$69,979	\$47,768	\$109,919	\$152,000	\$417,315	0.41%
Physician Assistants	\$38,791	\$36,408	\$40,457	\$79,963	\$64,189	\$259,809	0.26%
Overall Total	\$17,760,133	\$20,618,557	\$15,001,346	\$27,125,108	\$20,499,396	\$101,004,541	100.00%