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June 15, 1976

B-133316

The Honorable Melvin Price
Chairman, Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

This is in response to your April 27, 1976, request for information on the total Federal costs involved in training physicians through the Armed Forces Health Professions Scholarship Program. As discussed with your office, we based our work on (1) information contained in a January 1974 report, "Costs of Education in the Health Professions," prepared by the National Academy of Sciences' Institute of Medicine and (2) data obtained from the Department of Health, Education, and Welfare (HEW) and the Veterans Administration (VA) regarding Federal grants provided to medical schools. HEW and VA provide most of the Federal subsidies to civilian medical schools.

OUR COST-EFFECTIVENESS REPORT

On May 5, 1976, we issued a report entitled "Cost-Effectiveness Analysis of Two Military Physician Procurement Programs: The Scholarship Program and The University Program" (MWD-76-122). We used a cost-effectiveness analysis to show the incremental costs expected to be incurred by the Department of Defense in fiscal year 1984--the first year of simultaneous full operation of both military physician procurement programs. Our analysis showed that the costs (including anticipated pay and retirement costs) per staff-year of expected physician services from an estimated 988 graduates of the Scholarship Program would be \$21,444, compared to \$26,236 per staff-year of service expected from the anticipated 173 graduates of the University program who will be supplying services to the Department.

In our analysis, we included as incremental costs associated with the Scholarship Program estimates of (1) the stipends to be paid by the Department to Scholarship Program participants, (2) the Department's payment of Scholarship Program-related medical tuition and fees to civilian medical schools, and (3) the Department's costs to administer the

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Scholarship Program. We excluded from the analysis, non-Scholarship-Program-related Federal funding (such as Federal capitation and research grants) provided to medical schools by various Federal agencies. Such funding is made available to civilian schools for reasons totally unrelated to the Scholarship Program and will continue regardless of whether the Program continues.

Cost-effectiveness analysis is particularly appropriate in a study which involves choosing one alternative over another to accomplish an objective. A cost-effectiveness analysis permits those making a choice between alternatives to (1) specifically address the future uses of resources since past expenditures are viewed as being outside the decision-making process and (2) consider only those potential costs directly attributable to each alternative.

FEDERAL FUNDING DIRECTLY ATTRIBUTABLE TO
PHYSICIAN EDUCATION

Your office asked us to determine how much the Scholarship Program costs, presented in our May 5, 1976, report, would be increased by including non-Scholarship-Program-related Federal funds provided to civilian schools for educating physicians.

Based on data contained in a January 1974 report entitled, "Costs of Education in the Health Professions," prepared by the Institute of Medicine, we calculated the estimated amount of Federal funding to civilian medical schools which was spent on educating physicians. The Institute's study was prepared, under a contract with HEW, pursuant to the provisions of section 205 of Public Law 92-157. The study's objective was to provide information to the Congress on the national average annual education costs per student in eight health professions, including the medical profession.

The Institute reported that, at the 14 medical schools included in its sample, the average education costs per student amounted to about \$12,650 for the 1972-73 academic year. Using detailed data contained in the report, we calculated that the Federal Government provided about \$4,900--about 39 percent--of the \$12,650 to support the education of each medical student in the civilian schools. An Institute official reviewed this calculation and told us that the \$4,900 per student figure was an appropriate estimate.

Including non-Scholarship-Program-related Federal funding for medical schools' educational activities as part of the Program costs requires that the \$4,900 figure be inflated to reflect fiscal year 1977 dollar values. Using an inflation rate of 8 percent per year, ^{1/} annual Federal support provided to civilian schools for their educational activities amounts to \$6,666 per student per year in fiscal year 1977 dollar terms or \$26,664 per graduate (assuming a 4-year medical education). If this additional funding were expressed in terms of cost per expected staff-year of service by a Scholarship Program graduate, the resulting additional cost in fiscal year 1984, stated in fiscal year 1977 dollar terms, would be \$3,162 per staff-year. Accordingly, the total cost per staff-year of service under the Scholarship Program would be as follows:

Defense Department cost	\$21,444
Other Federal funding attributable to physician education	<u>3,162</u>
Total cost per staff-year	<u>\$24,606</u>

TOTAL FEDERAL FUNDING TO MEDICAL SCHOOLS

Your office also asked that we determine how much the Scholarship Program costs, presented in our May 5, 1976, report, would be increased by adding the Federal Government's total contribution to medical schools. Your office has expressed the view that these costs should be attributed to the Department's Scholarship Program, since civilian medical schools require this Federal support to continue their operations.

Information obtained from HEW's Bureau of Health Manpower and National Institutes of Health and VA showed that the Government provided about \$1.038 billion to medical schools in fiscal year 1975. This support was provided in several forms such as capitation, construction, and research grants. About 84 percent of the \$1.038 billion--or \$874.5 million--was provided to medical schools for research, including research facilities. Based on the Institute of Medicine study (see p. 2), only about 13 percent of this research money--or \$115 million--would be directly associated with the education of physicians.

^{1/}The 8-percent inflation rate was suggested by the Institute of Medicine official who directed the study.

Information compiled by the American Medical Association showed that, for the 1974-75 academic year, 54,074 students were enrolled in medical schools. Dividing \$1.038 billion by the student enrollment yields a 1975 Federal contribution of \$19,203 per student. When this figure is inflated at the 8-percent rate, the Federal contribution per student becomes \$22,398, as expressed in fiscal year 1977 dollar terms, or \$89,592 per graduate (again assuming a 4-year medical education).

If these costs are viewed as attributable to the Department's Scholarship Program, the Program's costs would be increased by \$10,624 for each staff-year of military service expected from the 988 Program graduates. Thus, the total cost per staff-year of service under the Scholarship Program would be as follows:

Defense Department cost	\$21,444
Contributions by other Federal agencies	<u>10,624</u>
Total cost per staff-year	<u>\$32,068</u>

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As pointed out in our May 5, 1976, report, including as Scholarship Program costs such estimates as discussed above--\$3,162 and \$10,624--would not be appropriate when the Department's two physician procurement programs are being compared from an incremental-cost viewpoint. Adding either of these estimates to the Scholarship Program's incremental costs (estimated in our report to be \$21,444 per staff-year) results in an estimate of the total Federal costs attributable to the training of a Program participant to become a physician.

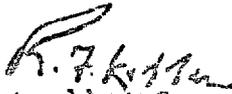
The results of such additions to our \$21,444 estimate do not represent figures which are comparable to the incremental costs estimated in our report as attributable to the operation of the University Program (\$26,236). Such a comparison would involve relating estimated total Federal costs of the Scholarship Program to the estimated incremental costs of the University Program. Additional costs--such as the use of staff and facilities at nearby military medical institutions to provide support to the University Program--would have to be included with the incremental costs estimated for

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the University Program to provide any basis for comparing the Federal costs of the two programs. To our knowledge, no attempt has been made to determine what these additional costs would be.

We trust that this information will help the Committee in its further considerations regarding the Department's two principal physician procurement programs.

Sincerely yours,


ACTING Comptroller General
of the United States

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