FEBRUARY 23, 2026

Overview of California's Physician Residency Grant Programs

PRESENTED TO: Assembly Budget Subcommittee #1 on Health
Hon. Dawn Addis, Chair

LEGISLATIVE ANALYST'S OFFICE

Purpose of Presentation

Why This Presentation?

- During the summer, we looked more closely at Song-Brown and CalMedForce grant awards. Our aim was to better answer member questions about the impact of both programs.

How Did We Compile Estimates?

- We requested data from Department of Health Care Access and Innovation (HCAI) and UC on grant awards in Song-Brown and CalMedForce, respectively. We requested the data from 2017-18, the first year of expanded data, through 2024-25, the most recent year available.
- We worked to "unduplicate" data from two departments. That is, we aimed to identify how much overlap existed among grant recipients between years and grant programs.

Order of Presentation

Background

- **Physician Residency**
- **State Physician Residency Grant Programs**

Review of Song-Brown and CalMedForce Programs

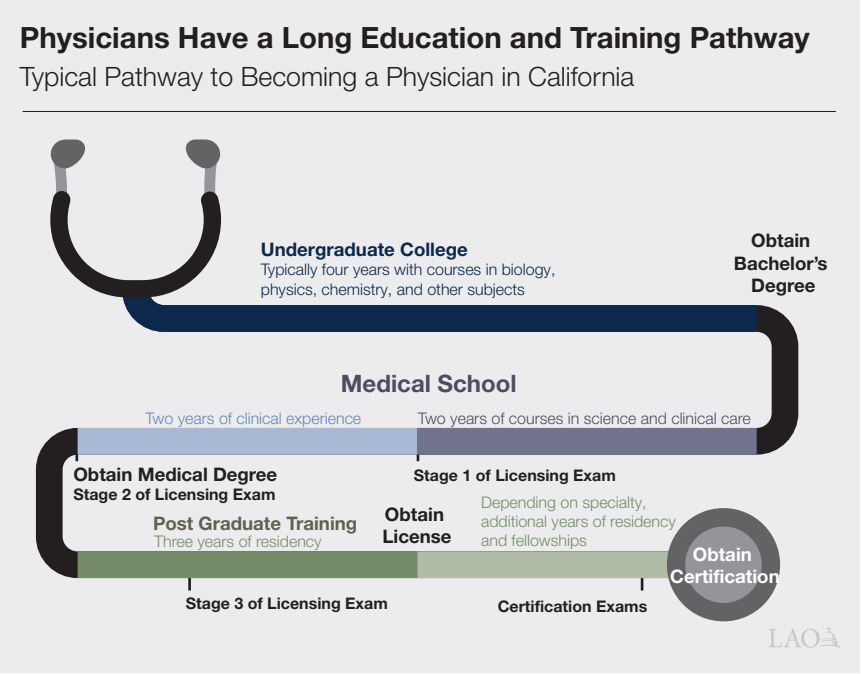
- **Allocation of Grant Awards Over Time**
- **Impact of Grant Programs**

Issues for Legislative Consideration

Physician Residency

What Is Physician Residency?

- Residency generally is the final step to becoming a physician. It involves at least three years of postgraduate training, following completion of medical school.
- Training traditionally occurs in hospital settings.
- Students typically select which medical area to enter (such as family health, psychiatry, or surgery).



Physician Residency

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How Are Residency Programs Funded?

- ***Medicare.*** Pays for Medicare's share of residency program costs, generally based on the amount of inpatient services hospitals provide to Medicare patients. Includes direct payment for each resident, as well as indirect boost to hospital's inpatient Medicare payments. Federal policy generally caps the number of funded residents to a hospital's level in 1996.
- ***Medi-Cal.*** Provides county and UC hospitals supplemental payment for residency programs. The public hospitals use their own local funds as the nonfederal share, drawing down more federal funds.
- ***Private Insurance.*** Likely helps fund residency programs at hospitals. The exact amount is not publicly known.
- ***Other Sources.*** Includes special federal payments to children's hospitals (which generally do not serve Medicare patients), among other sources.

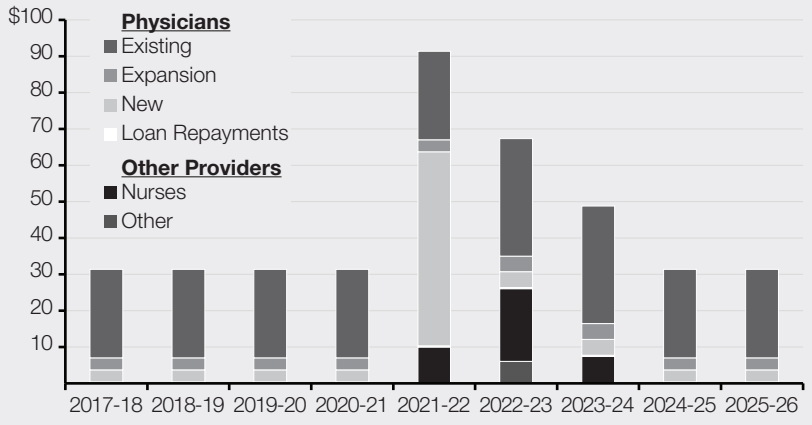
State Physician Resident Grant Programs

What is the Song-Brown Program?

- Created in the early 1970s to provide grants to family medicine residency programs. Administered by HCAI, then known as Office of Statewide Health Planning and Development.
- Legislature eliminated General Fund support to Song-Brown during the Great Recession. Department relied on a few smaller fund sources, such as private donations and administrative fees, to support grants.
- In 2017-18, state resumed General Fund support for the program, allocating most funding in most years to support existing slots at existing programs. Program also expanded to support four primary care areas—family medicine, internal medicine, pediatrics, and obstetrics/gynecology.

Song Brown Funding Has Expanded in Some Years

General Fund Appropriations (In Millions)



Note: In some years, Legislature later reduced appropriations to help address budget problem.

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State Physician Resident Grant Programs

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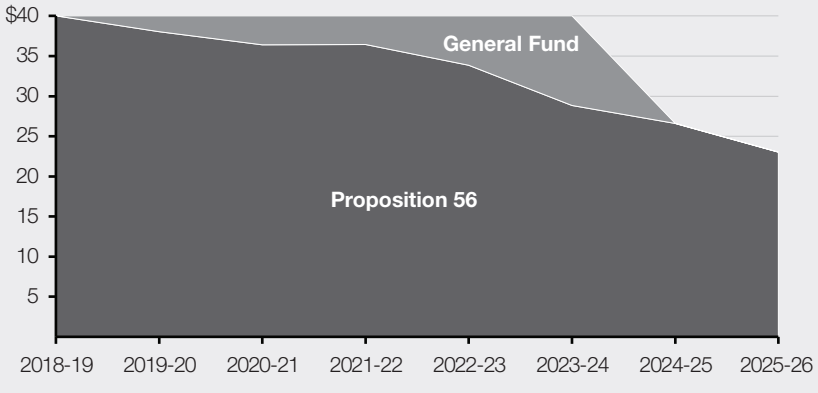
What Is CalMedForce?

- Created in 2018-19 to provide grants to primary care and emergency care residency programs. Administered by UC. UC contracts with a third party (Physicians for a Healthy California) to analyze grant applications and a council of stakeholders to make final award decisions.
- Funded by Proposition 56 (2016), which increased taxes on certain tobacco products. Measure initially provided $40 million for program.
- Over the years, Proposition 56 funding has declined due to reductions in tobacco consumption. In some years, Legislature backfilled decline with General Fund support, keeping program funding at $40 million. In more recent years, Legislature eliminated backfill as a budget solution.
- Proposition 35 (2024) provides additional funds from the state's tax on health plans (known as the managed care organization tax) for residency grant programs at UC. The amount is $75 million each in 2025 and 2026. Amounts in 2027 and onward will depend on the size of the state health plan tax in future.

Funding For CalMedForce Has Recently Declined

In Millions



State Physician Resident Grant Programs

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What Other State Programs Help Fund Physician Residency Slots?

- ***BH-CONNECT.*** A new Medi-Cal waiver in the behavioral health space, the five-year initiative includes grants for psychiatric residency programs.
- ***State Hospitals.*** State has begun funding psychiatric residency slots at State Hospitals.

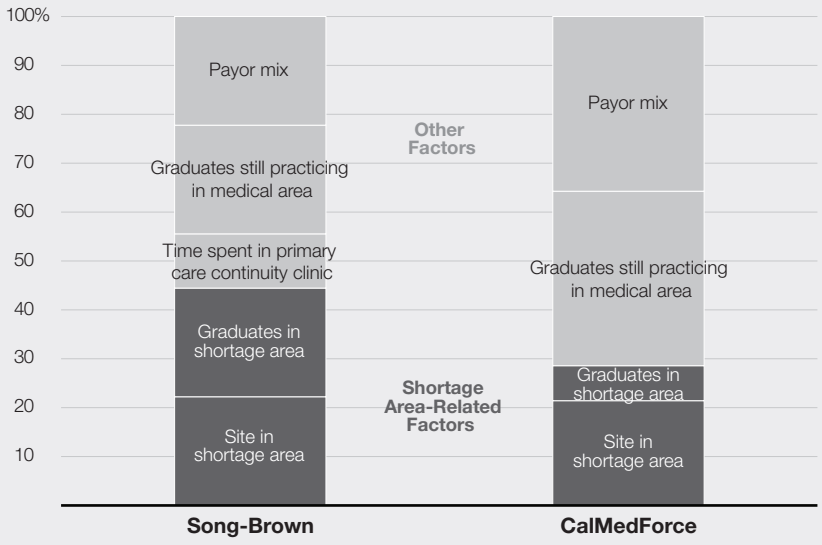
Allocation of Grant Awards Over Time

How Do Applications Work?

- Application and awards generally occur in the fall. The programs sometimes award grants on somewhat different timelines.
- Both grant programs use a point-based scoring system to award grants. The points consider somewhat similar factors, but weigh them differently.

Song-Brown Program Scoring Places Greater Weight to Shortage Area-Related Factors

Distribution of Maximum Possible Scores for Existing or Expansion Slots in 2025-26



Note: Song-Brown as different rubric to score slots at new programs, whereas CalMedForce provides new programs an additional point.

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Allocation of Grant Awards Over Time

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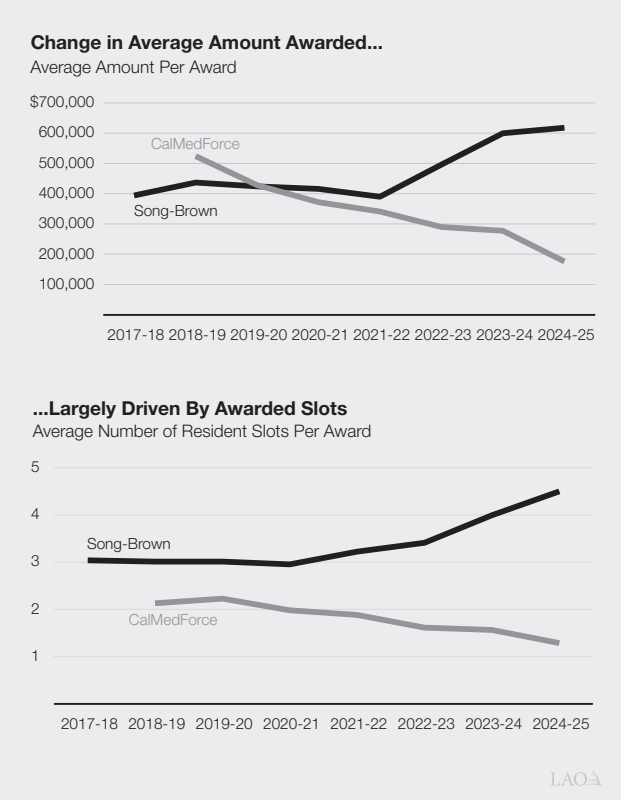
How Many Applicants Receive Grants?

- Nearly 90 percent of Song-Brown applicants have received a grant over the years.
- CalMedForce did not provide our office data on applicants.

How Many Grants Have Been Awarded?

- We estimate the two programs together have awarded nearly 1,500 grants since 2017-18.
- Programs tend to award a few to several hundred thousand dollars per grant, funding a few slots per program. The size of awards and number of supported slots has tended to increase in Song-Brown but decreased in CalMedForce.



Allocation of Grant Awards Over Time

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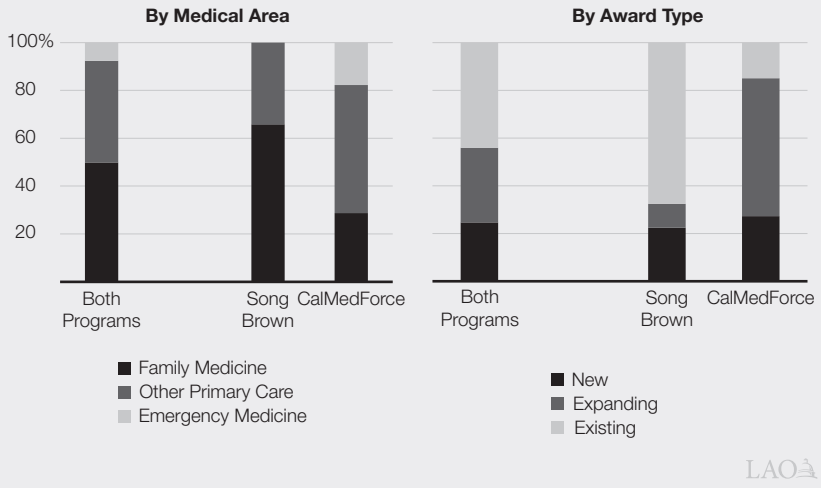
How Have Grant Awards Been Allocated?

- Song-Brown has had a greater emphasis on family medicine programs, reflecting its historic emphasis in that medical area. CalMedForce more evenly distributed grants among the medical areas.
- Song-Brown has had a much greater emphasis on funding existing slots at existing programs, reflecting how the state allocates funds. CalMedForce has had a much greater focus on funding growth in slots.

Song Brown and CalMedForce Have Targeted Awards Differently

Total Awards Amounts, 2017-18 Through 2024-25



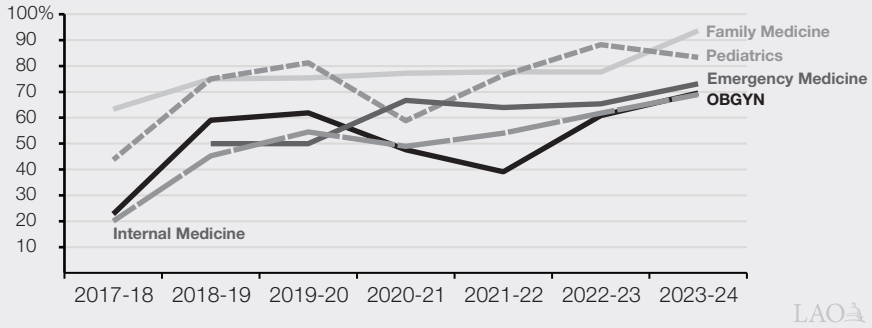
Impact of Grant Programs

How Many Programs Have Received Grants?

- We estimate around 200 programs have received a grant since 2017-18. In some years and medical areas, this reflected more than 90 percent of programs in the state. Program participation generally has increased over time.
- More than half of programs have received grants from both Song-Brown and CalMedForce. The overlap is particularly sizable for family health and obstetrics/gynecology, where around 70 percent of grant-receiving programs received a grant from both grant programs.

Program Participation in Grant Programs Increased Over Time

Share of California Residency Programs Receiving a Song-Brown or CalMedForce Award



Impact of Grant Programs

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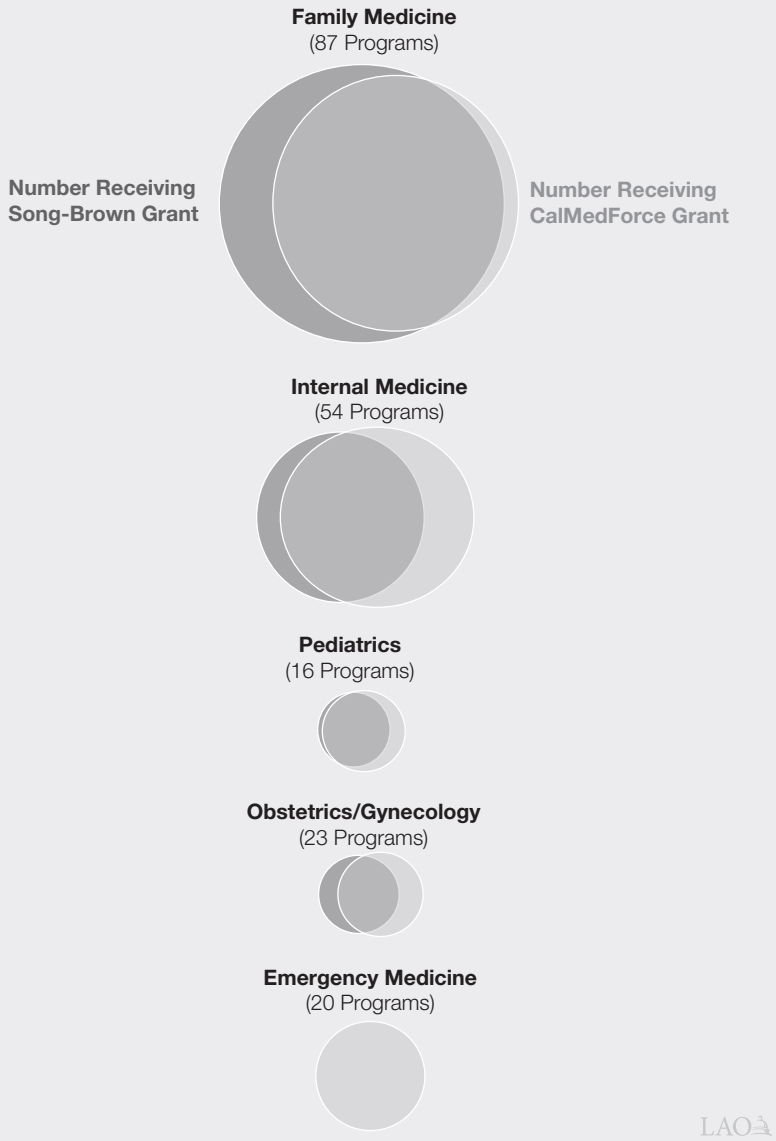
Overlap Between Grant Programs Varies by Medical Area

Number of Residency Programs Receiving Awards



Impact of Grant Programs

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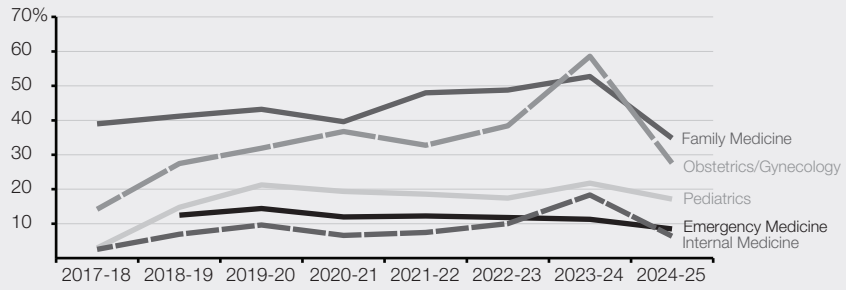
How Many Slots Have Received a Grant?

- The share of slots receiving a grant has varied over time by medical area, but has been as high as more than half of slots in California.
- Awards generally cover only a portion of the cost of a slot. Residency programs generally have to find funding from other sources, such as clinical revenue from sponsoring hospitals, to cover remaining costs.
- The average award per slot has fallen over time in CalMedForce, but increased slightly for Song-Brown.

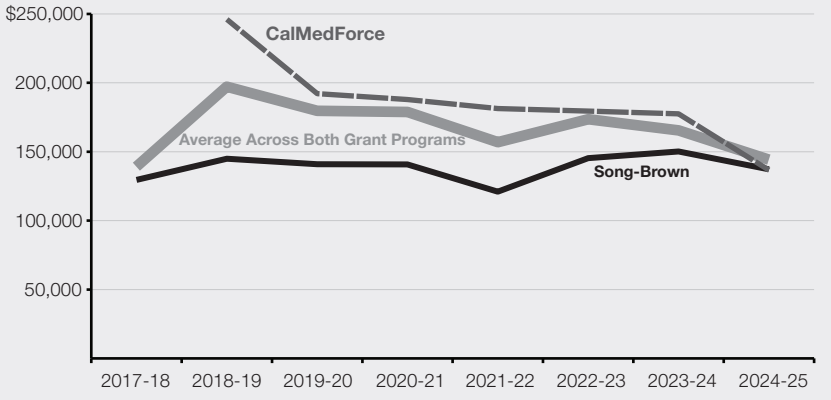
Grants Supported Higher Share of Family Medicine and Obstetrics/Gynecology Resident Slots

Share of Slots in California Supported by Song-Brown or CalMedForce Grant



Grant Programs Provided Different Amounts Per Slot in Most Years

Grant Amount Per Slot



Impact of Grant Programs

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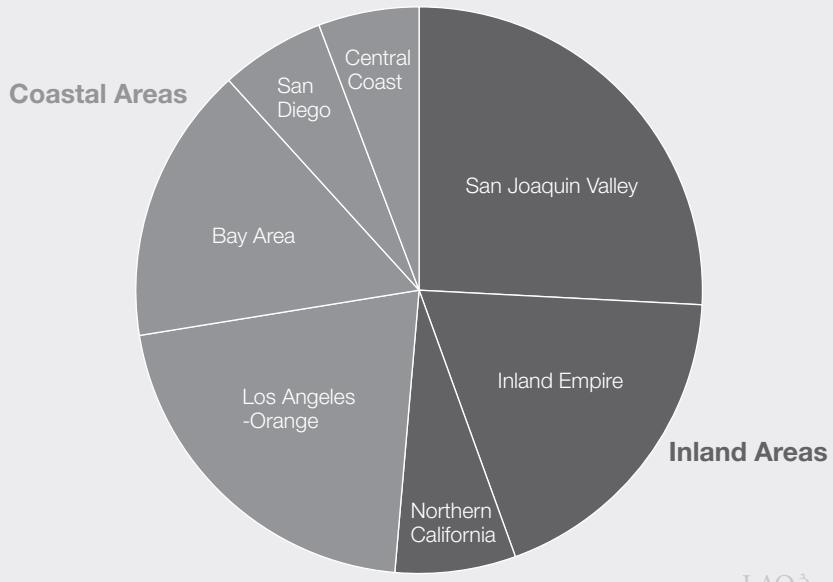
Where Have Resident Slots Been Located?

- We estimate around half of slots have been in more inland areas, and the other around half in coastal areas.
- Distribution tends to reflect grant programs' emphasis on funding slots in areas designated as having physician shortages.

Slightly More Than Half of Slots in Programs in Inland Areas

Share of Grant-Supported Slots From 2017-18 Through 2024-25



Issues for Legislative Consideration

Should Supporting Residency Programs Be a Budget Priority?

What Are the State's Physician Workforce Needs?

- Past studies have projected that the state's physician workforce may not keep pace with demographic trends, particularly in certain medical areas (such as primary care).
- State has longstanding disparity in number of providers per population in certain areas, particularly inland and rural areas.
- State law tasks HCAI with assessing state health workforce supply and demand, including for physicians. HCAI released its first report in 2023, and has expanded the scope of the reports over time. In its 2025 report, HCAI released its first supply and demand models, focused on behavioral health and nursing. The behavioral health models projected a sizable shortage of psychiatrists. According to HCAI, it is working on developing more in-depth modeling for other kinds of physicians.

Does Supporting Residency Programs Help Address State Physician Workforce Needs?

- Because of the complex pathway to becoming physician, it is difficult to assess where to best target resources. California has relatively low numbers of medical students per population, but residency programs tend to successfully fill slots by attracting medical students from schools in other states.
- A relatively large percentage (around 80 percent) of physician residents stay in California after completing their residency. Similarly, UC has reported in-state retention rates for residents supported by a CalMedForce grant of 87 percent. (HCAI has not publicly reported statewide retention rates for Song-Brown-supported grants.) This could suggest that expanding the supply of residents could help with statewide physician workforce needs.

Issues for Legislative Consideration

(Continued)

- Less data are available on how often residents permanently locate and practice in the local area/region where they completed their residency. Other state levers can better ensure physician practice in shortage areas, such as loan repayment programs conditioned on completing a certain number of years of service in a shortage area.

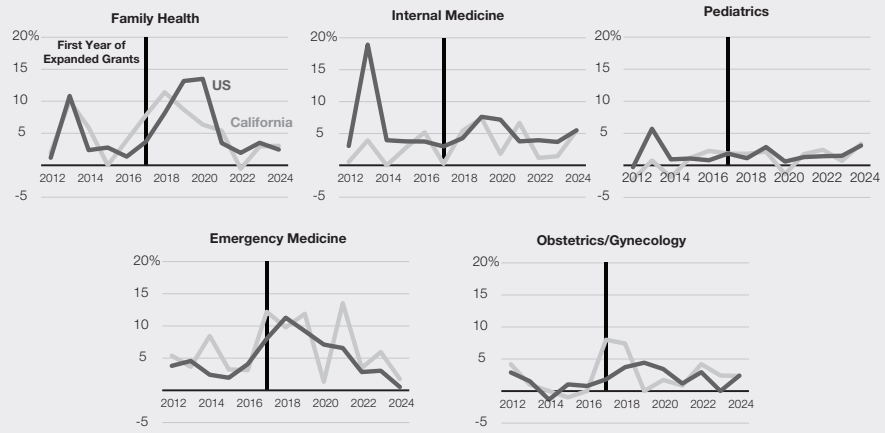
Are Competitive Grants the Best Way to Support Residency Programs?

How Have Grant Programs Affected Number of Resident Slots?

- Generally, the number of physician resident slots in California has tended to follow national trends—even after the expansion of Song-Brown in 2017-18 and the creation of CalMedForce in 2018-19.
- As an exception, some relative growth in California for obstetrics/gynecology occurred around the time of the Song-Brown expansion.
- The implications of these findings are uncertain. While they may suggest that the programs' impacts on the supply of resident slots have been limited, it is uncertain whether the grants prevented declines in the number of slots.

California Resident Slots Have Tended to Follow National Trends, Even After Expanded Grant Programs

Annual Percent Change in Slots



Issues for Legislative Consideration

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Does the Application Process Ensure Effectiveness and Efficiency?

- In concept, competitive processes help ensure the best applicants receive the funds, maximizing program effectiveness and efficiency.
- Among the two grant programs, however, most programs that apply receive a grant. Moreover, many programs have received grants in multiple years, effectively using the grants more like ongoing funds. Given this, the competitive process may have relatively limited impact.
- Rather than supporting competitive grants, the Legislature could explore other ways to support residency programs. For example, it could explore expanding support in Medi-Cal.

Are the Grant Programs Well Designed?

Do the Programs' Structures Reflect Current Workforce Needs?

- Evidence suggests that medical areas outside of primary care—such as psychiatry—also are projected to have statewide shortages. With this in mind, expanding eligibility to other areas could be warranted.
- Song-Brown's General Fund appropriation—which largely emphasizes supporting existing slots—is arguably limited in scope. State could consider allowing more flexibility to allocate grants in response to emerging workforce needs.

Are the Programs Coordinated Effectively?

- Supporting two different grant programs with fairly similar functions is inefficient. This is because the state is paying twice the administrative cost to deliver similar benefits, reducing the amount of direct programmatic funding.
- Having two programs—across two different agencies—inherently stimies coordination and statewide planning. In addition, effective coordination depends on program leadership, which changes over time.
- Legislature could explore ways to consolidate, coordinate, or differentiate the two programs. For example, the state could explore ways to consolidate the programs' different advisory councils or make the timing of grant awards sequential.