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Calculation of the Interim Payment of Indirect Medical Education (IME) Through the Inpatient PPS PRICER for Hospitals That Received an Increase to Their Full-Time Equivalent Resident Caps Under Section 422 of the Medicare Modernization Act (MMA), P.L. 108-173

Provider Types Affected

Inpatient PPS teaching hospitals that receive an increase to their IME FTE caps under Section 422

Provider Action Needed

MM4025 is based on related CR4025, which provides the methodology for calculating a hospital's interim payment of Indirect Medical Education (IME) through the inpatient Prospective Payment System (PPS) PRICER for hospitals that received an increase to their Full-time Equivalent (FTE) resident caps under Section 422 of the MMA.

Inpatient PPS hospitals operating Graduate Medical Education (GME) programs may want to review CR4025 in order to understand the methodology for calculating a hospital's interim IME payments to ensure that the appropriate payments for residents are being made.

Background

Social Security Act Sections 1886(d)(5)(B)(v) - Indirect Medical Education (IME), and Section 1886(h)(4)(F) - Direct Graduate Medical Education (GME), established caps on the number of allopathic and osteopathic residents that a hospital (operating an approved GME program) may count when requesting payment for indirect and direct medical education costs.

While Medicare only makes direct GME and IME payments for the number of FTE residents up to a hospital's FTE cap, some hospitals have trained allopathic and osteopathic residents in excess of their FTE caps. However, there are a number of hospitals that have reduced their resident positions to a level below their caps.

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Redistribution of Unused Residency Positions

Section 422 (Redistribution of Unused Residency Positions) of the MMA, Public Law 108-173, addressed the above issue by adding Section 1886 (h)(7) to the Social Security Act. This provision allows the FTE caps to be reduced for certain hospitals, and the positions that are generated from this reduction to be redistributed to other hospitals that demonstrate they can use the additional positions, effective on or after July 1, 2005.

The formula multiplier for calculating the IME adjustment factor, for additional residents reported by the hospital as a result of increase in the FTE resident cap under Section 422, is 0.66 for patient discharges occurring on or after July 1, 2005.

IME Payments

The August 11, 2004, Final Rule (69 FR 49088) provided that a hospital that counts additional residents as a result of an increase in its FTE resident cap under Section 422 would receive IME payments based on the *sum of two* different IME adjustment factors:

- (1) An IME adjustment factor that is calculated using the "annual" schedule of formula multipliers (established by section 502(a) of Pub. L. 108-173), and the hospital's number of FTE residents, not including residents attributable to an FTE cap increase under Section 422, in the numerator of the intern and resident-to-bed (IRB) ratio; and
- (2) An IME adjustment factor that is calculated using the formula multiplier 0.66, and the additional number of FTE residents that are attributable to the increase in the hospital's FTE resident cap under Section 422 in the numerator of the IRB ratio.

The number of available beds used in the denominator would be the same for both IME adjustments.

Additional Information

CR4025 provides detailed instructions for calculating the interim payment of IME through the inpatient PPS PRICER for hospitals that received an increase to their FTE resident caps under Section 422 of the MMA. Hospitals eligible for these payments may want to review those detailed instructions and the examples presented with the instructions. CR4025 may be viewed by going to http://www.cms.hhs.gov/manuals/transmittals/comm_date_dsc.asp on the CMS web site.

From that web page, look for CR4025 in the CR NUM column on the right, and click on the file for that CR.

If you have any questions, please contact your Medicare contractor at their toll-free number, which may be found at <http://www.cms.hhs.gov/medlearn/tollnums.asp> on the CMS web site.

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