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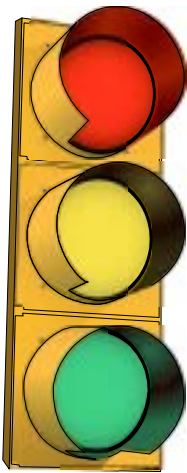
Implementation Date: See below

MMA-Changes to the FY 2004 Graduate Medical Education (GME) Payments as Required by the Medicare Modernization Act of 2003 (MMA), P.L. 108-173

Provider Types Affected

Hospitals that operate approved Graduate Medical Education programs

Provider Action Needed



STOP – Impact to You

Changes based on the Medicare Modernization Act of 2003 (MMA) target both Direct GME and Indirect Medical Education (IME). Hospitals need to be aware of the changes.

CAUTION – What You Need to Know

These changes are effective for cost reporting periods beginning on or after October 1, 2003; or for services furnished on or after January 1, 2004, or on or after April 1, 2004, depending on the provision.

GO – What You Need to Do

Understand the residency training IME and direct GME changes and take necessary steps to implement the changes.

Background

Sections 502, 711, 712, and 713 of the MMA make a number of changes to the ways in which Medicare pays IME and direct GME. Briefly, these changes are described below.

IME Adjustment

The calculation for the IME adjustment was modified, resulting in a different IME adjustment schedule for patient discharges occurring on or after April 1, 2004. The formula multiplier for the IME adjustment during this period will range from 1.47, starting April 1, 2004, to 1.32 in FY 2007.

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Beginning on October 1, 2007, the formula multiplier reverts back to 1.35—where it was prior to April 1, 2004. Please refer to the *Additional Information* section of this document for the specific schedule of formula multipliers.

GME Initial Residency Period Exception

With regard to Direct Graduate Medical Education (GME), MMA legislation has granted an exception to the Initial Residency Period for Geriatric Residency or Fellowship Programs. Section 712 of MMA allows hospitals to receive full direct GME payment for two years “where a particular approved geriatric training program requires a resident to complete two years of training to initially become board eligible in the geriatric specialty.”

Thus, effective for cost reporting periods beginning on or after October 1, 2003, hospitals may count geriatric residents’ training in an accredited geriatric residency program that is **at least a two-year program** at a full FTE for two years. Please note that the statutory language quoted above would *not* allow a hospital to give a one-year extension to a particular resident’s initial residency period in the case where the resident trained in only a one-year geriatric residency or fellowship program.

Extension of Update Limitation on High Cost Programs

The Balanced Budget Refinement Act (BBRA) of 1999 established a ‘floor’ and a ‘ceiling’ for computations of Per Resident Amounts (PRAs) used for direct GME payments. For purposes of calculating direct GME payments, each hospital-specific PRA is compared to the floor and ceiling to determine whether the hospital-specific PRA should be revised. For more information about the calculation of direct GME payments, please refer to Program Memorandum A-01-38 published on March 21, 2001, which may be viewed at:

http://www.cms.hhs.gov/manuals/pm_trans/A0138.pdf

Section 711 of the MMA provides for changes in the update for the direct GME PRA for the “ceiling hospitals” for FY 2004 through FY 2013. Generally, the provision freezes the inflation update for those hospitals that exceed the ceiling for cost report periods beginning during fiscal years 2004 through 2013. Instructions for calculating the floor and ceiling for cost reporting periods prior to FY 2004 are as stated in Program Memorandum A-01-38.

Compensation of Supervisory Teaching Activities

From January 1, 2004 through December 31, 2004, hospitals will be allowed to count allopathic or osteopathic family practice residents’ training in non-hospital settings regardless of the financial arrangement between the hospital and the teaching physician practicing in the non-hospital setting to which the resident is assigned. This one-year moratorium applies to FTE residents in allopathic and osteopathic Family Practice residency programs that were already in existence as of January 1, 2002 and where the requirement to incur the teaching physician compensation related to direct GME may not have been met. It also only applies to residents who spent that time in patient care activities, if there was a written document was in place indicating that residents from the hospital would be training in the non-hospital site, and the hospital actually incurred the residents’ salary cost.

This moratorium applies to family practice residents in prior year cost reports that are settled between January 1, 2004 through December 31, 2004, or for family practice residents actually training in nonhospital settings during January 1, 2004 through December 31, 2004.

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Residents training in non-hospital settings other than Family Practice may be disallowed from cost reports settled during CY 2004 if the hospital didn't properly incur the teaching physician compensation associated with direct GME.

Important Dates

The effective dates are as follows:

Section 502- effective with discharges on or after April 1, 2004.

Section 711- effective with cost reporting periods beginning on or after October 1, 2003.

Section 712- effective for cost reporting periods beginning on or after October 1, 2003.

Section 713- effective January 1, 2004 through December 31, 2004.

Additional Information

The schedule of IME formula multipliers is effective for discharges occurring on or after April 1, 2004 and will be incorporated into the new Inpatient PPS PRICER as of April 5, 2004. The values to be used in the calculation of the IME adjustment are as follows:

For discharges occurring on or after:

April 1, 2004 and before October 1, 2004	1.47
Fiscal Year 2005	1.42
Fiscal Year 2006	1.37
Fiscal Year 2007	1.32
October 1, 2007 and after	1.35

The formula multiplier is represented as c in the following equation used to calculate the IME adjustment factor; the variable r represents the hospital's resident-to-bed ratio. The formula is the following:

$$c \times [(1+r)^{.405} - 1] = \text{IME adjustment factor}$$

For further details, see the official instruction that CMS issued to your intermediary. The official instruction issued regarding this change may be found by going to:

http://www.cms.hhs.gov/manuals/transmittals/comm_date_dsc.asp

Once at that page, look for CR 3071 in the CR NUM column on the right, and click on the file for that CR.

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