Federal Update

Accreditation Council on Graduate Medical Education (ACGME)

February 2002

Highlights from the Centers for Medicare and Medicaid Services (CMS)

GME final rules. In the August 1, 2001, Federal Register, CMS published a final rule, which made changes to the Inpatient Prospective Payment System (PPS) for FY 2002. The changes in the rule were effective October 1, 2001. Two changes related to GME:

- Hospitals with a per resident amount less than 85 percent of the locality adjusted national per-resident amount will have their per-resident amount increased to 85 percent.
- Hospitals may receive a temporary adjustment to their FTE cap to reflect residents added because of the closure of another hospital's residency program, as long as the hospital that has closed its program agrees to temporarily reduce its FTE cap.

Highlights from the Health Resources and Services Administration (HRSA)

Council on Graduate Medical Education (COGME) Meeting, December 2001. COGME heard and deliberated on presentations given on models of health care delivery, nurse practitioner substitutability, and implications of bioterrorism for the physician workforce. Three workgroups were created to define and address pertinent issues related to the Physician Workforce, GME Financing, and Diversity. COGME members discussed these issues within each of the workgroups and started the planning for future activities.

The Council is working on its 2002 Summary Report, conceptualized as a final report in the event that COGME sunsets September 30, 2002, in concurrence with its authorizing legislation. The report summarizes issues, findings, and recommendations made by the Council since its inception in 1986.

COGME and NACNEP. COGME and the National Advisory Council on Nurse Education and Practice (NACNEP) are working with the Institute of Medicine to convene a multidisciplinary summit of leaders in the health professions in June, 2002 to develop strategies for: (1) collaborative restructuring of clinical education to focus on improving healthcare quality throughout undergraduate, graduate, and continuing education for medical, nursing, and other health professional training; and (2) assessment of the

implications of these changes for credentialing, funding, and sponsorship of education for health professionals.

Children's Hospitals Graduate Medical Education Payment Program (CHGME). This coming spring CHGME will put forward a Federal Register notice setting forth policies related to the reconciliation process required by statute. Unlike Medicare GME, CHGME functions on an appropriation cycle. Congress required reporting of the number of residents by applicants at two points in time during the fiscal year. During the reconciliation process, the applicants will report any changes related to the number of residents. For FY 2002, the average per-resident payment for both Direct Medical Education and Indirect Medical Education is estimated at $72,000.

Payments for GME, totaling nearly $227 million for DME and IME, were disbursed in fiscal year FY 2001 to 57 freestanding children's teaching hospitals. The range of payments was wide, with four children's teaching hospitals receiving less than $100,000, and three children's hospitals receiving more than $10 million.

The number of children's hospitals applying for FY 2002 GME funds has risen to 59. Congress appropriated $285 million for the CHGME Payment Program, $50 million above last year's budget. The CHGME Payment Program has disbursed $36 million for the period of October through January of FY 2002, and as required by the statute withheld $12 million (25%). Bi-weekly interim payments will start as soon as the total FY 2002 dollars available for children's hospitals are allocated to the Program.

The CHGME Program will hold technical assistance (TA) workshops for children's teaching hospitals and other interested constituents in June and July of this fiscal year. The TA workshops are designed to assist applicants and constituents in understanding the program, its governing rules, and their implications for completing CHGME Payment Program applications.

Highlights from the Medicare Payment Advisory Commission (MedPAC)

In its January 2002 public meeting, the Commission was briefed on two issues related to GME payment:

1. The Indirect Medical Education (IME) adjustment, set at 6.5 percent for every 10 percent increase in the resident-to-bed ratio, will be reduced to 5.5 percent in FY 2003 unless current law is changed. According to the Commission's staff analyses, the empirical level of the adjustment is 3.2 percent. Several Commissioners expressed concern about the scheduled cut in FY 2003, citing major teaching hospitals' low total margins. The Commission decided not to comment on the issue, and deferred the decision until an in-depth study can be conducted.

2. Adjusting for local differences in resident training costs [mandated study due March 2002]. The geographic adjustment factor (GAF) is used for adjusting resident payment amounts for differences among geographic areas in the costs related to physician training.

   After examining alternative indices, the Commission concluded that the physician GAF is an appropriate adjustment factor for the following reasons:

   - Resident stipends do not vary tremendously across the country.
   - The physician geographic adjustment factor (GAF) exhibits less variability than other indexes that are currently available or could be developed with the available data.
   - The physician GAF does not reflect geographic difference in the mix of inputs; it is a purer geographic price index compared to other alternatives.

A letter summarizing the recommendation was sent to the Honorable Richard B. Cheney, President of the Senate.