



[IHA Federal Legislative Position 2009](#) **Graduate Medical Education**

★ **Overview**

Iowa's health care system is in the midst of a physician supply crisis. Physician recruitment and retention is a priority concern for Iowa's hospitals which now employ more than 60 percent of physicians in the state. This is a pervasive issue that affects both rural and urban communities, particularly in the recruitment of various specialists. The result is a loss of health care access for all Iowans and is a threat to the high quality care that Iowa hospitals provide.

For years, Iowa's teaching hospitals have been the target for payment reductions from the Centers for Medicare & Medicaid Services (CMS) from a number of angles. First, CMS proposed to completely eliminate Graduate Medical Education (GME) funding from the Medicaid program based on the premise that the statute does not specifically list GME as a Medicaid service, at an annual cost of \$11.5 million to Iowa's teaching hospitals. Second, the Iowa Medicare contractor made an adverse interpretation of regulations in determining payment for resident training in non-hospital settings, with an immediate impact on Medicare funding for Iowa's residency slots. Finally, in its final rule for FY 2009, CMS eliminated capital Indirect Medical Education (IME) payments at a cost of \$1.3 million per year for Iowa's 17 teaching hospitals. The American Recovery and Reinvestment Act of 2009 (ARRA) temporarily restored the capital IME payments for FY 2009.

★ **Iowa Hospital Association Position**

IHA supports legislation focusing on Graduate Medical Education. Proposals should:

- **Protect Iowa's GME programs by requiring CMS to fully fund shared intern and resident programs by allowing hospitals to count all resident time when the resident trains at a non-hospital site for GME payments, if the hospital incurs all or substantially all of the costs for the training program.**

Eighty-one residency slots at Iowa hospitals are presently operated through a foundation in their communities. These shared programs operate with two or more hospital providers jointly funding an intern and resident program. In order for a hospital to count a full-time equivalent (FTE) resident in a GME program at a non-hospital site, it must assume financial responsibility for the full complement of residents training at the non-hospital site in a specific GME program. A hospital cannot count any FTE resident time in a GME program working at a non-hospital site if it incurs all, or substantially all, of the costs *for only a portion* of the FTE residents in that program at the non-hospital site. (42 CFR 413.78)

Because two or more hospitals may be involved with a foundation, interns and residents keep time studies to document the time spent on patient care activities in each location for the particular hospital to determine its financial responsibility. The foundation in turn bills the

hospital on a regular basis for *all* the costs of providing education to the interns and residents, both in the hospital and non-hospital settings.

The Iowa Medicare contractor is not allowing Iowa hospitals to count time spent in the non-hospital settings because the foundation is a shared program, although each hospital is funding the entire cost for the time spent in the non-hospital settings, pro-rata. At issue is the contractor's contention that the hospital is funding the foundation, rather than the residents. Further troubling is that the contractor is retroactively applying this interpretation to past cost reporting periods. Because of the Medicare program's calculation for counting residency slots that it will fund, Iowa's hospitals will begin to lose payment for these slots immediately, with the impact escalating in future years with the retrospective application.

- **Provide funding to increase the number of residency slots at Iowa's teaching institutions.**

A recent University of Iowa study analyzed physician supply concerns and identified the top five areas of physician shortages as psychiatry, neurosurgery, general internal medicine, orthopedic surgery and cardiology. Neurology, obstetrics/gynecology and general surgery also ranked high. By funding additional residency slots, Iowa's hospitals will be more able to recruit physicians and improve access to services for patients.

- **Permanently reverse the elimination of Medicare capital IME payments.**

CMS argues that because teaching hospitals have positive capital IME margins, the elimination of these payments is necessary. Yet Iowa's hospitals receive among the lowest reimbursement from the Medicare program in the country with total Medicare margins of **negative 4.5 percent**. While the agency has chosen to specifically isolate capital IME margins, IHA contends CMS must consider the totality of the financial health of teaching hospitals and the impact to Medicare recipients prior to making harmful payment policy changes. This payment cut will create more barriers for Medicare recipients' access to necessary health care services.

- **Permanently withdraw the proposal to eliminate Federal Financial Participation (FFP) for Medicaid medical education.**

CMS' premise for the proposal to eliminate Medicaid GME funding is that GME is not specifically authorized in the Medicaid statute, and that this proposal is merely a clarification of existing policy.

This proposal is a reversal of CMS' long-standing policy to fund Medicaid GME payments. Each state Medicaid program covers a number of services under the definition of "medical assistance" for which Medicaid will pay all or part of the costs. Not every service is defined in statute. In fact, for states to participate in the Medicaid program, there is a relatively small set of services and populations it must cover in order to receive FFP, inpatient and outpatient hospital services and physician services, for instance. GME is both a hospital and physician service.