



Related MLN Matters Article #: MM4025

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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*

### Key Words

MM4025, CR4025, R2010TN, IME, Education, Payment, GME, Cap, FTE, Hospital, Resident, P.L.308-173, Allopathic, Osteopathic, MMA

### Provider Types Affected

Inpatient PPS teaching hospitals that receive an increase to their IME full time equivalent (FTE) caps under Section 422

### Key Points

- The effective date of the instruction is July 1, 2005.
- CR4025 provides the methodology for calculating a hospital's interim payment of Indirect Medical Education (IME) through the Inpatient Prospective Payment System (IPPS).
- The Social Security Act established caps on the number of allopathic and osteopathic residents that a hospital (operating an approved Graduate Medical Education) may count when requesting payment for indirect and direct medical education costs.
- Some hospitals have trained allopathic and osteopathic residents in excess of their FTE caps, while others have reduced their resident positions to a level below their caps.
- The MMA added Section 1886 (h)(7) to the Social Security Act, which 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 an increase in the FTE resident cap under Section 422, is 0.66 for patients' discharges occurring on or after July 1, 2005.

- 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:
  - An IME adjustment factor that is calculated using the “annual” schedule of formula multipliers 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
  - 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.

### Important Links

<http://www.cms.hhs.gov/MLNMattersArticles/downloads/MM4025.pdf>

<http://www.cms.hhs.gov/Transmittals/downloads/R2010TN.pdf>