

Payment for Graduate Medical Education (GME) in the Wake of a National Disaster or Public Health Emergency

Issue

Hurricane Katrina clarified the need for a policy option to mitigate the disruption of medical residency training programs caused by natural disasters. This interim final rule with comment provides a template for hospitals affected by national disaster or public health emergency, giving hospitals the flexibility to minimize the impact of the disaster on their medical residents and ensure continuity of resident training programs.

Background

Among other concerns, Hurricane Katrina caused major disruptions in the medical residency training programs in the affected New Orleans hospitals. The hospitals informed the Centers for Medicare & Medicaid Services (CMS) that the training programs at many teaching hospitals in the affected area were closed down and that the displaced residents were being transferred to training programs at host hospitals throughout the country. The New Orleans hospitals asked us to find a way in which host hospitals – those taking on the displaced residents – could receive payment for the training they were providing.

- In response to these concerns, CMS immediately issued a document discussing a provision in the existing regulations which allows hospitals that have closed programs to temporarily transfer their allotment of full time equivalent (FTE) residents paid for under the Medicare program (referred to as the hospitals' FTE cap) to the host hospitals so that host hospitals that were already training residents at or above their cap could receive payment for training additional residents displaced by the hurricane.

Further communications with teaching hospitals in New Orleans clarified that in most cases the programs did not close entirely. In addition, hospitals in the hurricane-affected areas are in the process of reopening their residency training programs incrementally.

- In order to provide relief where the programs have not or are no longer closed, the Department of Health and Human Services used the rulemaking process to allow host hospitals an adjustment to their FTE caps. The new rule allows for the host hospitals to receive financial relief for the additional medical residents they have taken on in the wake of the disaster.

The New Regulation

CMS has revised existing regulations to address new affiliations between hospitals and nationwide affiliations in situations where a special waiver has been implemented to ensure medical care for Medicare, Medicaid or SCHIP populations in an emergency area during an emergency period. This regulation change allows Katrina affected hospitals, as well as hospitals dealing with future national disasters or states of emergency, the flexibility to temporarily transfer residents while permitting payment for all affected hospitals.

Emergency Medicare GME Affiliation

Under this interim final rule, hospitals will now be allowed to create Emergency Medicare GME affiliation agreements retroactive to the date of the disaster (*e.g.*, for Katrina, August 29, 2005) to incorporate new members host hospitals, even if the host hospital is outside of the affected area.

- These “emergency affiliation agreements” allow for long distance affiliations. Under existing rules, affiliations are limited by geographical requirements or to hospitals under common ownership.
- Emergency affiliations would be limited to no more than three years. During the effective period, the shared rotational arrangement requirement would also be relaxed so that residents will not be required to train in both hospitals that are members of the affiliated group.

Host Hospital Payment

Based on the provisions of the existing closed program regulations, and believing that the home hospital programs had actually closed, many host hospitals took in displaced residents in the belief that they would be paid in full for those residents.

- Under the usual GME payment rules, a hospital is paid in the current year based on a three-year “rolling average” count of residents; that is, the average of the number of residents in the current year, prior year, and penultimate year.
- If a hospital increases its number of residents in the current year, as the result of the existing affiliations provision, the hospital would only receive 1/3 of the payment for the additional residents in that year, 2/3 payment the next year, and finally, full payment in the third year.
- Under the new affiliation option in the interim final rule, displaced residents from August 29, 2005 to June 30, 2006 (the end of the current academic year) will be excluded from the rolling average calculation with the effect that the payment will be made in full in one year rather than spread over three years.
- As of July 1, 2006, the usual rolling average provision would apply to the host hospitals.

Conclusion

The process envisioned in this interim final rule will provide hospitals with greater flexibility to transfer residents within an emergency affiliated group while ensuring payment for all the hospitals involved.

- The details of where the slots are transferred, determining how to deal with any excess residents the affected hospital was training in excess of its cap, and tracking those slots would be left to the hospitals to work out amongst themselves.
- The documentation burden is less severe because the affiliated group decides how to share the caps. Each hospital and its fiscal intermediary would rely on the cap adjustment agreed upon in the emergency affiliation agreement for payment purposes.
- Finally, in the first year of this emergency affiliation, displaced residents at host hospitals would be exempt from the three year rolling average and thus payment will be made in full in one year. ***In the first year not only will host hospitals receive payment in full for training displaced residents, but home hospitals will also receive 2/3 payment under the three-year rolling average mechanism, providing some much needed relief to the Katrina-affected hospitals.***

By making these changes, CMS has taken action to address Katrina-related GME payment issues. This updated regulation also helps the Agency to be prepared for future emergencies, establishing a template, which will allow for an immediate response to minimize the impact of a national disaster on hospital payment and resident training programs.