

Time Spent By Residents in Non-hospital Settings

Medicare previously authorized teaching hospitals to receive Direct Graduate Medical Education (DGME) and Indirect Medical Education (IME) payments associated with residents training in non-hospital sites, such as clinics or physicians' offices, if they incur "all or substantially all" of the training costs. In 1999, the Centers for Medicare and Medicaid Services (CMS) issued a regulation defining "all or substantially all" of the training costs as the residents' stipends and benefits plus physician supervisory costs. In 2005, CMS changed the regulatory definition of "all or substantially all" of the non-hospital site training costs to be 90 percent of the residents' stipends and benefits plus physician supervisory costs at the non-hospital site. This resulted in a major administrative burden for hospitals because they imposed significant compliance difficulties in obtaining actual physician salary data, and computing the amount of physician time spent supervising that does not involve patient care activities.

The Patient Protection and Affordable Care Act (ACA) clarified this requirement to mean that a hospital incurs—all or substantially all of the required costs for both DGME and IME purposes, so long as the hospital incurs the costs of the resident stipends and benefits for the time the resident spends in that setting.

What is the difference between DGME and IME?

DGME payments partially compensate teaching programs for residency education costs; whereas IME payments compensate hospitals for higher patient care costs due to the presence of teaching programs.

What is the effective date of this provision for DGME purposes?

This provision became effective for cost reporting periods beginning on or after July 1, 2010.

What is the effective date of this provision for IME purposes?

This provision became effective for discharges occurring on or after July 1, 2010.

What records must the hospital keep?

Hospitals are required to maintain and make available to the Secretary records of the time residents spend in non-hospital sites as well as how much time they spend in non-hospital sites compared to a base year (a year to be determined by the Secretary).

Are written agreements still required?

In most instances, it is no longer necessary to enter into agreements with, or establish a payment trail to, the teaching physicians providing services in the non-hospital settings. The hospital only needs to demonstrate that it is incurring the cost of the residents' stipends and fringe benefits while the residents are in the non-hospital setting.

A written agreement is required if more than one hospital incurs the costs of training—either directly or through a third party—the hospitals are able to count the proportional share of the time only if that share is documented in a written agreement between the hospitals.

Can hospital cost reports be reopened for purposes of this new provision?

Hospital cost reports may not be reopened for purposes of this provision unless a proper DGME or IME appeal was pending as of March 23, 2010.

Counting Didactic Time for DGME and IME Payments

Didactic Time

Medicare previously paid hospitals for time residents spent in didactic training – i.e. conferences and seminars not related to the care of a patient – only when the resident was training in the hospital. In addition, didactic time could only be counted for DGME payments, not for IME payments.

DGME Changes

The law permits hospitals to count resident didactic time spent in non-hospital training sites for DGME purposes, beginning July 1, 2009.

IME Changes

The law permits hospitals to count resident didactic time spent in the hospital for IME payment purposes, beginning January 1, 1983. Didactic training that takes place in non-hospital sites cannot be counted for IME payment purposes.