



# **Presentation to the House Appropriations Subcommittee on Graduate Medical Education**

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Overview of Graduate Medical Education Reimbursement  
July 6, 2004

# Presentation Overview

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- Purpose of Medicaid Graduate Medical Education (GME)
- Medicaid GME Reimbursement Methodology
- GME Hospital Information
- Financing and Appropriations of GME
- SFY 2005 Funding for GME
- GME Distribution and Reimbursement – Other States

# Purpose of Medicaid Graduate Medical Education (GME)

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- Texas Medicaid provides supplemental payments to support teaching hospitals which operate approved medical residency training programs.
  
- Contribution of Teaching Hospitals:
  - Training Physicians
  - Care for the Uninsured
  - Conduct Medical Research
  - Provide Highly Specialized Services
  - Educate Medical Students, Nurses and Other Healthcare Professionals
  
- Medicaid GME payments recognize the higher cost incurred by teaching hospitals. Compared to non-teaching hospitals, teaching hospitals treat patients with more complex conditions and provide patient care that is more intensive and technologically sophisticated.

# Medicaid GME Reimbursement Methodology

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## Step 1:

Carve-out direct GME cost from Medicaid inpatient hospital prospective rates.

Direct GME cost:

- Salaries and fringe benefits of residents and teaching physicians,
- Program administrative staff, and
- Allocated facility overhead costs

## Step 2:

Calculate annual GME payment using Per Resident Amount Formula.

# Medicaid GME Reimbursement Methodology

## Payment Formula

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### Per Resident Amount Formula:

- Similar to the Medicare Direct GME formula
- Reimbursement components:
  - Per Resident Amount (PRA)  
Hospital specific or Locality Adjusted National Average (Floor/Ceiling)
  - Weighted 3-year Average Interns & Residents FTE Count
  - Medicaid Patient Load. Percentage of Medicaid Patient Days to Total Hospital Days (excluding Nursery Days)

$$\text{Annual GME Payment} = (\text{PRA} \times \text{Weighted FTEs} \times \text{Medicaid Patient Load})$$

# GME Hospital Information

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## Top 10 Medicaid GME Providers: SFY 2003

| <u>Hospital</u>                               | <u>GME Payment*</u> |
|---|---------------------|
| Parkland Memorial Hospital - Dallas           | \$6,386,884         |
| Texas Children's Hospital -Houston            | \$4,352,596         |
| University of TX Med Branch -Galveston        | \$3,582,518         |
| University Health System – San Antonio        | \$3,556,860         |
| Children's Medical Center - Dallas            | \$3,050,673         |
| Brackenridge Hospital - Austin                | \$1,774,372         |
| University Medical Center - Lubbock           | \$1,718,182         |
| John Peter Smith Hospital – Fort Worth        | \$1,409,019         |
| Driscoll Children's Hospital – Corpus Christi | \$1,353,166         |
| R E Thomason General - El Paso                | \$1,068,782         |

\* Payments subject to change due to cost settlement

# GME Hospital Information

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## Top Teaching Hospitals by GME Per Resident Amount:

|                             |           |
|-----------------------------|-----------|
| UT Health Center – Tyler    | \$171,301 |
| Charlton Methodist Hospital | \$166,933 |
| Scott and White             | \$123,901 |
| Christus St. Joseph         | \$108,414 |
| San Jacinto Methodist       | \$ 85,375 |
| The Institute for Rehab     | \$ 77,161 |
| John Peter Smith Hospital   | \$ 76,373 |
| MD Anderson Hospital        | \$ 75,065 |
| Corpus Christi Medical      | \$ 74,660 |
| New Boston General          | \$ 73,831 |
| University of TX Med Branch | \$ 72,512 |
| Columbia Plaza Med Center   | \$ 71,222 |

# Financing and Appropriations for GME

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## Funding:

- HHSC directed by 75<sup>th</sup> Legislature to:
  - “Carve-out” GME from Medicaid inpatient hospital rates.
  - Make GME payments directly to teaching hospitals.
  
- GME payments made to 52 teaching hospitals accounted for approximately \$43 million in SFY 2003. GME expenditures represent 1.4% of the total Medicaid inpatient expenditures. (Excluding Disproportionate Share Hospitals payments)

## Appropriations:

- Effective 9/1/03, GME rate methodology amended to limit reimbursement to amount appropriated by Texas Legislature
- No funds appropriated for SFY 2004 and SFY 2005



# SFY 2005 Funding for GME

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## SFY 2005 Funds:

- Excess unclaimed lottery funds have been earmarked for GME for SFY 2005 (HHSC Rider 48).
- Comptroller estimates \$20 million will be made available for GME in SFY 2005.
- \$3 million currently available for GME reimbursement beginning September 1, 2004

# GME Distribution and Reimbursement Other States

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- 47 States and DC provided payment for DGME or IGME under their Medicaid program

| No GME                                    | Payments made under Medicaid fee-for-service                                    | Payments made directly to teaching hospital for states with capitated Medicaid managed care programs | Methodology similar to Medicare's                     |
|---|---|--|---|
| 3 States (Illinois, South Dakota, Kansas) | 46 States + DC (70% make payments through hospital's per-case or per diem rate) | 16 States + DC (10 states included DGME/IGME payments in their capitated rates to MCOs)              | 20 States + DC (27 other states used "other methods") |