

Distribution: Medicaid Health Plans 01-16
Hospital 01-18

Issued: October 1, 2001

Subject: Distribution of Graduate Medical Education (GME) Funds,
Annual Report, New Formulas, Weighting Factors, Three Year
Phase-In, GME Innovations Grants

Effective: January 1, 2002

Programs Affected: Medicaid, Children's Special Health Care Services

This bulletin announces changes in the annual distribution of graduate medical education (GME) funds.

Guiding Principles for Medicaid Payment Policy for Health Professions Education

The changes in Medicaid payment policy are intended to advance the following principles:

- A. The department shall support the training of health professionals through the use of Medicaid funds. The method of Medicaid payment for health professions education needs to adapt appropriately to:
 - 1) Changes occurring in the health care marketplace,
 - 2) Shifts in care from inpatient hospital to the home and community,
 - 3) Increased use of capitated managed care programs,
 - 4) Changes in the composition and needs of the Medicaid program and the general population in Michigan,
 - 5) Changes in the needed mix of health care providers and delivery systems, and
 - 6) Changes in the needs of the public health system in Michigan.
- B. Medicaid payments for health professions education should be made with an expectation for accountability in the use of the funds so those making payments can identify what is being purchased with public dollars.
- C. Medicaid payments for health professions education should be awarded in support of the following specific public policy objectives and priorities:
 - 1) Training in the provision of health care in a managed care setting,

- 2) Training in the provision of primary care,
 - 3) Training that addresses the need for an adequate distribution of health professionals in all geographic areas across the state,
 - 4) Training of specialists where shortages or problems of access for the Medicaid population exist, and
 - 5) Training in the treatment of specific Michigan Medicaid patient groups. For example:
 - Pregnant women (Medicaid pays for 44 percent of all deliveries).
 - Children (Medicaid provides health care coverage for 25 percent of all persons ages 0-20, and 40 percent of pre-school children ages 0-5).
 - Disabled (almost half of Medicaid spending is for individuals with disabilities).
 - Aged (over 25 percent of persons aged 85+ have Medicaid coverage, and Medicaid pays for two-thirds of all nursing home care).
- D. Medicaid payments for health professions education should be made in a manner that supports and encourages the highest quality training of medical professionals, so that the greatest possible public value is obtained from the public funds available for this purpose.
- E. Medicaid payments for health professions education should support training only in programs with appropriate accreditation.

Participation in Medicaid Managed Care Program

In order to participate in the annual distribution of funds from either GME pool, a hospital must meet the following criteria:

- If no Medicaid Health Plan has been authorized by Medicaid to enroll beneficiaries in the county in that the hospital is located or in a hospital's service area within the county, the hospital will be allowed to participate in the distribution of funds from this pool.
- If only a single Medicaid Health Plan has been authorized by Medicaid to enroll beneficiaries in the county that the hospital is located, then the hospital must have a signed agreement with that Health Plan.
- If two Medicaid Health Plans have been authorized by Medicaid to enroll beneficiaries in the county, which the hospital is located, then the hospital must have a signed agreement with at least two of the Health Plans.

At a minimum, agreements must provide for appropriately authorized, medically necessary inpatient hospital, outpatient hospital, emergency and clinical care arranged by a physician with admitting privileges to the facility.

Hospitals must have signed agreements with Medicaid Health Plans as required above by November 1, 2001 for the January 1, 2002 to June 30, 2002 GME distribution period. Thereafter, hospitals must have the required signed agreements by May 1st to participate in the following academic year's GME distribution (that will run from July 1st to June 30th of each year).

Distribution of GME Funds

Distribution of graduate medical education funds will be calculated annually for two formula pools – the GME Funds and the Primary Care Pools. In order to receive funds for graduate medical education, a hospital must have operated a nationally accredited medical education program(s) in the fiscal year that data is drawn from the hospital cost reports used to calculate the GME payments. Payments will be fixed, prospective payments, made in full and are not subject to future cost settlement or appeal. Payments will be made only to hospitals that provide requested information by the dates required. Payments will be made semi-monthly by gross adjustment. Separate gross adjustments will be made for each pool payment.

Only intern and resident FTEs in approved programs as specified in *Federal Regulations* (see 42 CFR 413.86) will be eligible for inclusion in the data used to calculate the distribution of the GME Funds and Primary Care Pools.

To distribute funds from the GME Funds and the Primary Care Pools, data will be drawn from accepted hospital cost reports for the most recent fiscal year that data is available. For the GME Funds Pool, the unweighted full-time-equivalent (FTE) count will be used (line 3.05 from E-3, Part IV). For the Primary Care Pool, the weighted FTE count for primary care physicians will be used (line 3.07 from E-3, Part IV). If the cost report is changed, equivalent data will be used.

Both the hospital and its residency programs must be operating during the funding period in order to receive GME funds. Hospitals must notify the department in writing at least 30 days prior to the termination date of any of its residency programs. Funds distributed to ineligible hospitals are subject to recovery.

GME payments to hospitals that merge during an academic year will be combined, provided that the surviving hospital continues to operate all residency programs that the pre-merger hospitals operated. The surviving hospital must notify the department within 30 calendar days after the merger is completed of any reductions or terminations to its residency programs. The GME payments to the surviving hospital will be reduced proportionately to the reduction in its GME programs. Overpayments to surviving hospitals based on reductions in GME programs are subject to recovery.

GME funds not distributed during an academic year, because a hospital closes or because one of its residency programs is terminated or is reduced in size, will be added to the GME Innovations Grants Pool for distribution during the next GME Innovations Grants awards cycle.

Annual Report

To be eligible to receive payments from the GME Funds or Primary Care formula pools, hospitals are required to submit an annual report to the department. The report shall include sufficient information so that the department can determine the numbers of residents that completed their residency programs a minimum of three years prior to the fiscal year used to calculate distributions from the GME pools. The information will be used to determine the numbers for residents that are currently participating in the Medicaid program and are board certified. The report will include, at a minimum, the following information:

- Hospital's name, hospital's ID number, resident's name, resident's Social Security Number, Michigan physician license number, the resident's primary care or specialty care field, the year each resident completed his/her residency, and the resident's board certification status.
- Additional information regarding reporting requirements will be provided to hospitals by February 1, 2002. Hospitals will be required to submit the report on or before April 1st of each year.

The report format and completion instructions will be sent to each hospital by the department. Hospitals will be given a minimum sixty days in which to complete and return the report. Hospitals that fail to complete and return the required information within the specified time frame will be excluded from distribution of the GME pools.

GME Funds Pool

The dollar amount of this pool is appropriated annually by the legislature. For FY'01/02, the amount is \$162.7 million. To calculate each eligible hospital's share of the GME Funds Pool, the following formulas will be used:

$$FTEs \times Casemix \times (Hospital' s Title V \& Title XIX Days / Hospital' s Total Days) = Adjusted FTEs$$

$$[0.05 \times \$162.7 \text{ Million} \times \frac{Hospital' s Board Certified Physicians}{\sum Board Certified Physicians}] + [0.05 \times \$162.7 \text{ Million} \times \frac{Hospital' s Physicians Participating in Michigan Medicaid Program}{\sum Physicians Participating in Michigan Medicaid Program}] + [0.9 \times \$162.7 \text{ Million} \times (Adjusted FTEs / \sum Adjusted FTEs)] = Pool Distribution$$

Primary Care Pool

The total dollar amount of this pool will be \$20 million of the total GME appropriation. To calculate each hospital's share of the Primary Care Pool, the following formula will be used:

$$FTEs \times (Hospital' s Title V \& Title XIX Outpatient Charges / Hospital' s Total Charges) = Adjusted FTEs$$

$$[0.05 \times \$20 \text{ Million} \times \frac{Hospital' s Board Certified Physicians}{\sum Board Certified Physicians}] + [0.05 \times \$20 \text{ Million} \times \frac{Hospital' s Physicians Participating in Michigan Medicaid Program}{\sum Physicians Participating in Michigan Medicaid Program}] + [0.9 \times \$20 \text{ Million} \times (Adjusted FTEs / \sum Adjusted FTEs)] = Pool Distribution$$

Definitions/Notes

Title V & Title XIX Days – includes fee-for-service and managed care days. Days will include those from distinct-part psychiatric and distinct-part rehabilitation units.

Title V & Title XIX Outpatient Charges – includes fee-for-service and managed care outpatient charges. Charges will include those from distinct-part psychiatric units.

of Residents Board Certified – number of residents board certified a minimum 3 years after completion of a residency program.

Hospital's Case Mix – the sum of the relative weights for all Medicaid admissions divided by the number of Medicaid admissions during the period covered.

of Physicians Enrolled in the Michigan Medicaid Program a minimum 3 years after completion of a residency program.

of Hospital Eligible Resident FTEs – for the GME Funds and Primary Care Pools FTE data will be drawn from hospital cost reports as indicated above.

Implementation of Weighting Factors

The five percent (5%) weighting factors for physician participation in the Michigan Medicaid program and board certification will not be implemented until July 1, 2003. Until then, the above distribution formulas, without the weighting factors, will be used to distribute GME funds from the *GME Funds* and the *Primary Care Pools*.

However, to gain experience and to assess the impact of the new policy and formulas, hospitals will be required to begin reporting resident data in the Spring 2002. In order to implement the weighting factors for both physician participation in the Medicaid program and board certification, the department will use a five-year rolling average.

Based on information included in a hospital's report, the department will calculate the number of hospital residents participating in the Michigan Medicaid program. A physician must receive a minimum of \$2,000 in payments from the Medicaid program, in the fiscal year that hospital cost report data is drawn, to be included in the "Physicians participating in the Medicaid program" weighting factor.

Hospitals will report on the board certification status of residents that completed their residency programs a minimum three years prior to the fiscal year that hospital cost report data is drawn in order to calculate the distribution of funds from the GME pools. Hospitals may report a physician that has been board certified each time the physician passes a board examination and is awarded certification during a five-year rolling average period.

Additional information regarding reporting requirements will be included in the report sent to hospitals for completion.

Psychiatric Residency Programs

The psychiatric residency programs described in Hospital Bulletin 01-01 issued December 15, 2000 are funded out of the GME appropriation in the department's budget.

Three Year Phase-In of Revised GME Formula

In order to reduce the short-term impact that the revised formulas and distributions of GME funds will have on any hospital, the department will use a three-year phase-in period. During the first full year, GME payments will be based three-quarters on the prior distribution as established in MSA Bulletin 96-15, issued December 16, 1996, and one-quarter based on the revised formula published in this bulletin. During the second year, the ratios will be one-half each. In the third year, payments will be based on one-quarter of the old formula and three-quarters of the new formula. In the fourth year, GME payments will be made based entirely on the new formula.

GME Payments will be Prorated for the Current Academic Year

For the July 1, 2001 to June 30, 2002 academic year and payment period, GME payments will be prorated. During July 1 to December 31, 2001, GME payments will be calculated using the prior GME reimbursement schedule. For January 1 to June 30, 2002, GME payments will be calculated using the new formulas indicated above. Thereafter, the new formulas will be used to annually calculate and distribute GME funds appropriated by the legislature.

GME Innovations Grants

To encourage the innovative training of future health care professionals, a special pool will be established that will be distributed to projects or organizations to develop creative, new health professions education programs. The pool will be established bi-annually. The size of the pool will be subject to the availability of funds. Competitive grants will be awarded to qualified applicants that respond to a request for proposal (RFP) issued by the department for this purpose. Grants will be awarded to projects that support public policy goals and priorities, as specified in the "Guiding Principles" above, and included in the RFP to be issued.

Grants will be awarded only to health professions education programs that are accredited by national and/or regional accrediting agencies. Improved care and treatment of Michigan Medicaid patients must be the focus of any grant awarded. Payments will be limited to enrolled Medicaid providers that will act as the fiduciary for the grantee. Grants may be awarded for multi-year periods. Additional details will be included in the RFP released for these grants.

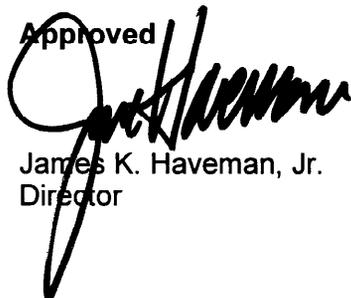
Manual Maintenance

Manual pages will be updated in the future. Retain this bulletin for future reference.

Questions

Any questions regarding this bulletin should be directed to: Provider Inquiry, Medical Services Administration, P.O. Box 30479, Lansing, Michigan 48909-7979, or e-mail at ProviderSupport@state.mi.us. When you submit an e-mail, be sure to include your name, affiliation, and a phone number so you may be contacted if necessary. Providers may phone toll free 1-800-292-2550.

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