

## Federal Health Care Reform

### Impact On GME Calculations

This is the fourth in a series of Legal Alert emails highlighting some of the key provisions in the Patient Protection and Affordable Care Act, as modified by the Health Care and Education Reconciliation Act of 2010 (collectively, the "Health Care Reform Act"). This Legal Alert summarizes (1) new requirements for calculating graduate medical education ("GME") payments and resident participation; and (2) the methodology for redistribution of unused GME slots.

Effective for cost reporting periods beginning on or after July 1, 2010, the Health Care Reform Act:

- Eliminates the requirement that a teaching hospital must incur ninety percent (90%) of the cost of resident teaching at a non-hospital site in order to claim a resident for reimbursement purposes. Instead, the teaching hospital must now only demonstrate that it incurs the costs of the residents stipends and fringe benefits during the time that the residents rotate at the non-hospital site. **This means that resident contracts with non-hospital sites (e.g., physician offices) can now be revised to take out the complicated formulas that were previously required.**
- Allows a teaching hospital to count the time a resident is on vacation, sick leave or other approved leave towards the teaching hospital's full time equivalency ("FTE") calculation so long as the resident completes his/her residency program within the normal duration of the program.

Effective for cost reporting periods beginning on or after July 1, 2011, a teaching hospital may lose unused FTE residency slots ("Slots") or be eligible to receive unused Slots through redistribution as follows:

- Teaching hospitals that have not filled all of their Slots in the last three (3) years may lose the Slots, in accordance with a formula established by the Federal government.
- A qualifying teaching hospital may receive up to seventy-five (75) additional Slots. A qualifying hospital that applies for these Slots has to ensure that at least seventy-five percent (75%) of the additional Slots it receives are for primary care or general surgery residency. Priority for the new Slots will be given in the following order: to hospitals located in states with low resident-to-physician ratios; to hospitals located in health professional shortage areas; and to hospitals located in rural areas.

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- Unlike the first redistribution in 2003, Medicare will reimburse the teaching hospital for these new Slots at the same rate as its other Slots, and not at a reduced level.

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If you have any questions, please contact the GW attorney with whom you regularly consult or send us an email at [HCR@garfunkelwild.com](mailto:HCR@garfunkelwild.com).

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