



Greater New York Hospital Association

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Medicare GME Policy on Hospital or Program Closure and Temporary Resident Cap Increase

The Medicare program provides for the possibility of a temporary Medicare resident cap increase for a “receiving hospital” taking over the training of a displaced resident in the case of a hospital closure or residency program closure. For a receiving hospital to be granted a temporary resident cap increase, the hospital or residency program in which the resident was originally training must first close, as defined within Medicare regulations.

Definition of Displaced Resident

Under the Medicare regulations, “displaced resident” is defined as a resident who was training at a hospital up to the point that the hospital itself closed or the hospital ceased training all residents in the program in which the resident was training. A resident who ceases training at the hospital prior to the closing of the hospital or the complete closing of the program in which the resident was training is not considered “displaced” under the Medicare regulations. In such cases, the Medicare regulations do not permit a receiving hospital to receive a temporary increase in its resident caps on behalf of the resident.

Number of Medicare Resident Cap Slots vs. Number of Residents in Training

The total number of resident slots that can be transferred to receiving hospitals on behalf of displaced residents is limited to the total number of Medicare resident cap slots available to the hospital from which the resident has been displaced. That is, being displaced from a closing program or a closing hospital does not mean that the receiving hospital in which the resident is newly training will automatically be able to transfer a resident slot and receive Medicare GME funding at the receiving hospital. The reason for this limitation is that in the case of a hospital that is currently training residents in excess of its hospital-specific Medicare resident cap, all of the residents in training are not currently being supported by the Medicare program and a closure situation does not grant the Medicare program the authority to fund *additional* residency slots.

Receiving Hospital Eligibility for Cap Increase

A receiving hospital is eligible for a temporary resident cap increase that corresponds to the portion of the resident's training time taken over from the original training hospital. For example, if the displaced resident was expected to be training at the original hospital affected by the closure for an entire year without “out rotations,” the receiving hospital that takes over that training component receives a temporary cap increase of 1.0 full-time equivalent (FTE). If, however, the displaced resident was expected to be training at the original hospital affected by the closure for six months of the year, the receiving hospital that takes over that training component receives a temporary cap increase of 0.5 FTE.

This temporary cap increase will be tracked to the specific residents who have come to the receiving hospital because they were displaced and will expire when the training time for those residents in their respective programs is completed. In other words, once a displaced resident has completed the program in which he or she was training when the displacement occurred, the receiving hospital's Medicare resident cap is lowered to what it had been prior to the adjustment for that resident. After the training in the affected programs of all displaced residents at that hospital has been completed, the receiving hospital's Medicare resident cap will revert to its otherwise applicable level.

Hospital Closure Effective Date

In the case of a hospital closure, the temporary increase can only be made to the receiving hospital's Medicare resident cap from the point when the closing hospital withdraws its agreement with the Centers for Medicare & Medicaid Services (CMS) to provide care to Medicare beneficiaries. Prior to that point, no temporary increase can be made to a receiving hospital's Medicare resident cap for a resident displaced by a hospital closure.

Residency Program Closure and Reduction in Home Hospital Cap

In the case of a residency program closure, the temporary increase can be made to the receiving hospital's Medicare resident cap only if the hospital with the closing program agrees to reduce its Medicare resident cap by that same amount. This reduction to the home hospital's Medicare resident cap can only be granted by the appropriate responsible official of the hospital with the closing program, such as the hospital chief executive officer or hospital chief financial officer.

Residency Program Closure Effective Date

In the case of a residency program closure, the temporary increase will only become effective for a receiving hospital from the point in time when the closing residency program closes completely at the original hospital (i.e., when the original hospital ceases to offer training in that program) and the original hospital provides written documentation verifying the closure of the residency program. Prior to that point, no temporary increase can be made to the receiving hospital's Medicare resident cap to account for a resident displaced by a residency program closure.

The requirement that the original hospital agree to lower its Medicare resident cap is similar to the Medicare GME regulation governing two or more hospitals electing to aggregate resident caps for the purpose of making adjustments to each hospital's otherwise applicable resident cap (also known as forming a "Medicare GME affiliated group"). In the case of the Medicare GME affiliated group agreement, two or more hospitals submit a signed, written agreement to the fiscal intermediary by July 1 requesting resident cap adjustments (positive and negative) for the upcoming residency program year. In the case of the residency program closure provision, the request for adjustments to the hospitals' resident caps must track to a specific resident or residents and the hospitals are not required to submit the agreements to the fiscal intermediary prior to July 1 for an adjustment that becomes effective during that residency program year.

Receiving Hospital Application for the Temporary Resident Cap Increase

To apply for the temporary increase in the Medicare resident cap, the receiving hospital must submit a letter to its fiscal intermediary within 60 days of beginning the training of the displaced residents. This letter must include the names and social security numbers of the displaced residents, the hospital and programs in which the residents were training previously, the amount of the cap increase needed for each resident, and documentation to support the hospital closure or residency program closure, as noted above.

In the case of a residency program closure, the receiving hospital must submit the signed agreement with the original hospital within 60 days of beginning to train the displaced residents whereby the original hospital agrees to lower its Medicare resident GME cap by an amount that will offset the temporary increase in the receiving hospital's resident cap.

Application of Three-Year Rolling Average

In general, the calculation for both direct GME and indirect medical education (IME) reimbursement is based on a resident count that is determined using a three-year rolling average. In the case of residents displaced by a hospital closure or a residency program closure, a temporary increase to the receiving hospital's Medicare resident cap is made *after* the calculation of the three-year rolling average. That is, for both direct GME and IME reimbursement, the receiving hospital receives the full benefit of the temporary cap adjustment immediately, subject to satisfaction of the other parts of the regulations.

Application of IRB Ratio Cap

The determination of a hospital's Medicare IME reimbursement for a particular year is based in part on the hospital's intern and resident-to-bed (IRB) ratio, capped at the prior year's level. In the case of residents displaced by a hospital closure or a residency program closure, the receiving hospital is permitted to include the displaced residents that it begins training in the calculation of its *prior* year's IRB ratio for purposes of applying that ratio as the cap to its current year's IRB ratio. In this way, the receiving hospital is not disadvantaged by taking on the training of additional residents as a result of the receiving hospital already being at or above its IRB ratio cap in the current year.

The inclusion of the displaced residents in the calculation of the prior year's IRB ratio for purposes of applying the cap to the current year IRB ratio is done from the point when the displaced residents begin training at the receiving hospital. If the displaced residents begin training at the receiving hospital at a point other than the beginning of the receiving hospital's Medicare cost report year, the inclusion of the displaced residents in the calculation of the prior year's IRB ratio is applied through the end of the receiving hospital's subsequent twelve-month Medicare cost-report year. In the cost reporting period following the last year the receiving hospital's resident cap is adjusted for the displaced residents, the IRB ratio cap is calculated as if the displaced FTE residents had not trained at the receiving hospital in the prior year (the displaced FTEs are removed from the numerator of the prior year's IRB ratio).

Additional Information

Should you have any questions, please contact Tim Johnson of GNYHA at 212-506-5420 or tjohnson@gnyha.org.