

Enhancing Medicaid Direct and Indirect Medical Education Payments

Presentation to the
Joint Commission on Health Care
Health Living/Health Service Subcommittee
September 19, 2011

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PRESENTATION OUTLINE

- Background on Medicaid Reimbursement for Medical Education
- Residency Programs by Specialty
- Cost Estimate for a 10% Increase in Medicaid Reimbursement for Medical Education

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Study Request

Report on a methodology and cost estimate for providing enhanced direct medical education (DME) and indirect medical education (IME) payments to graduate medical programs in Virginia that train physicians in primary care, general surgery, geriatrics, psychiatry, and emergency medicine.

It is expected that DME and IME enhancements for such specialties would not come from a rebalancing of other DME and IME payments, but would result in an increase in Medicaid costs to some degree.

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Medicaid Graduate Medical Education (GME) Payments

- **Purpose – Support direct cost in hospitals of training health professionals (residents/interns and allied health professionals)**
- **36 Hospitals receive GME (11 out-of-state)**
- **4,234 Resident/Intern FTEs in GME hospitals in 2009**
 - 1,873 in Virginia hospitals (720 in private hospitals)
 - 2,353 in out-of-state hospitals
- **Methodology**
 - Residents/Interns – Virginia Medicaid cost per resident/intern (FFS and MCO) from a base year inflated forward
 - Allied Health Professionals – cost-based

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Medicaid Indirect Medical Education (IME) Payments

- **Purpose – Recognize higher operating costs at hospitals with teaching programs (increased diagnostic and treatment costs related to educational mission)**
- **34 Hospitals received IME payments in FY09 (10 out-of-state)**
- **Methodology**
 - IME factor (formula based on ratio of residents to beds)
 - Multiplied by inpatient operating payments (FFS and MCO)
- **Special IME Payments for some NICU hospitals**
- **6 out-of-state hospitals with low Virginia Medicaid utilization no longer eligible for IME payments (7/1/10)**

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Medicaid Medical Education Reimbursement in FY09

- **Total Medicaid reimbursement for medical education was \$141 million in FY09**
 - For this study, DMAS excluded \$104 million paid to UVA and VCU (DMAS already pays UVA and VCU the maximum non-DSH Medicaid that it can pay)
 - For this study, DMAS excluded \$1.6 million paid for nursing and paramedical education in private hospitals (the study requested options for increasing education of physicians)
- **Remaining reimbursement for medical education for physicians at private hospitals was \$35 million (\$11.7 million for GME and \$23.6 million for IME)**
- **82% of the \$35 million reimbursement is for in-state private hospitals**

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Residency Programs by Shortage Specialties in Virginia

Primary Care (Family Medicine, Internal Medicine, Pediatrics)	33.7%
Psychiatry	7.3%
Emergency	5.3%
Geriatric	0.3%
General Surgery	7.5%
Total	55.9%

Source: Accreditation Council for Graduate Medical Education, May 2011

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Cost Estimates for a 10% Increase in Medical Education Reimbursement

	Existing Programs	New Programs	Total Cost
In-State	\$1,608,009	\$160,801	\$1,768,810
Out-of-State	\$361,653	\$36,165	\$397,818
Total	\$1,969,662	\$196,966	\$2,166,628

Note: The general fund cost is 50% of the total

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Options and Observations

- **Options**
 - **Increase 10% incentive-cost is proportional**
 - **Limit to in-state hospitals**
 - **Be more selective regarding specialties**
- **Observations**
 - **Influence of Medicaid reimbursement is limited because Medicaid is responsible for less than 20% of the medical education costs incurred by private hospitals**
 - **No information on the incentive impact to create additional programs**