Georgia Department of Community Health

Proposed Medicaid GME, IME, and Physician UPL Methodologies

Presentation to: Hospital Advisory Inpatient Payment Subcommittee

Presented by: Department of Community Health

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Georgia Department of Community Health

Mission

The mission of the Department of Community Health is to provide access to affordable, quality health care to Georgians through effective planning, purchasing, and oversight.

We are dedicated to A Healthy Georgia.

Georgia Department of Community Health

Status Update on Phase 3 Proposal: IPPS Cost Data Rebase and Change in Outlier Reimbursement Approach

Status Phase 3 Proposal - IPPS Cost Data Rebase and Change in Outlier Reimbursement Approach

Effective October 1, 2016 DCH proposes to*:

1. **Update cost data to a more recent year and rebase base rates, outlier thresholds, and DRG weights.**
2. **Change Outlier Formula**
   - Base payment on the difference between the estimated cost of the claims and the outlier threshold.
3. **Reimburse Outliers on an Automated Basis**
   - Outliers considered low risk will be automatically reimbursed but subject to a post payment review (based on a sample of claims).
   - Outliers considered high risk will continue to have a prepayment review. However, this process will be automated and faster.
4. **Revise GME and IME Payment Allocation**
5. **Consider Application of a Stop Loss/Gain**

Note: the more focused outlier review will allow DCH to expand the post payment review of inlier claims.

**Original Effective Date was July 1, 2016.*

Status Phase 3 Proposal - IPPS Cost Data Rebase and Change in Outlier Reimbursement Approach

Phase 3 Implementation Process:

1. DCH will convene a meeting to present the detailed Phase 3 Proposal and associated impacts to hospitals in late June or early July 2016.

2. After the meeting, DCH will share the hospital specific rates and fiscal impacts with each provider.
   - **Note – GME and IME impacts will be distributed with the IPPS Phase 3 Rebase.**

3. DCH must submit a State Plan Amendment to CMS for review and approval of the Phase 3 Proposal. DCH will accept hospital input before and during the public notice process.

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Direct and Indirect Graduate Medical Education

Direct GME vs. Indirect GME

- **Direct GME (DGME) Funding:**
  - Direct GME funding pays the salaries and benefits of the residents, a portion of the salaries and benefits of the supervising physicians, and other costs directly attributable to educating residents.
- **Indirect GME (IME) Funding:**
  - Indirect GME funding subsidizes the higher patient care costs associated with teaching hospitals, such as specialty services and treatment programs, sicker patients, longer inpatient stays, and more use of tests.

Background

- **April 2015:** DCH presented the current Medicaid Graduate Medical Education (GME) funding model to the Inpatient Hospital Advisory Subcommittee.
- **July 1, 2015:** DCH implemented the current Medicaid GME funding model.
  - **Direct GME:**
    - Funds are in a separate pool to control the impact of growth of costs on non-teaching hospitals.
    - Each hospital receives 100% of its Medicaid share of GME costs reported in its 2011 Medicare Cost Report.
    - Payments are made quarterly.
  - **Indirect GME:**
    - Implemented an adjustment factor for teaching hospitals. The Indirect GME Adjustment Factor is multiplied by the statewide base rate. Hospitals receive the Indirect GME funding as part of the inpatient claims payments.

$$\text{IME Adjustment Factor} = 1.35 \times [(1+ (r/b))^{0.405} - 1]$$

r = Number of Residents

b = Number of Beds

- **July 28, 2015:** DCH convened the Inpatient Hospital Advisory Subcommittee to solicit input on a per resident direct GME funding model.
  - DCH received written and oral comments from nine hospital systems.
- **August 2015:** DCH requested FTE resident data from the Georgia Board for Physician Workforce (GBPW) and directly from the hospitals (for those hospitals that do not report FTE data to GBPW).
- **October 2015 – April 2016:** DCH developed the Direct GME FTE Funding model, with input and assistance from GBPW.

DCH Concerns with the Current GME Funding Methodology

- Direct GME reimbursement is driven by historical GME expenditures, as reported by the hospitals.
  - **High variability** in cost per resident among the hospitals.
  - **Large time lag** in the availability of cost report data.
  - **Uncontrolled growth** in year-over-year costs to the state.
- Due to budget neutrality requirement, to maintain the 100% Indirect GME reimbursement, **any increase in cost has to come out of the hospital base rate of non-teaching hospitals**.

Growth of GME in Georgia

Governor's Initiative to Grow GME:

- Funds have been appropriated to the Board of Regents to provide grants to hospitals to develop new primary care GME programs.
- Funds are administered by the Medical College of Georgia at Augusta University.
- Grant funding to the hospitals stops when residents enter the program.

Projected Start Dates for New Residency Slots

	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2022	SFY 2023	SFY 2024	Total New Residency Slots
Residency Slots	5	20	72	156	126	97	44	17	5	5	547

Proposed GME Funding Methodology

- Proposed Start Date: October 1, 2016
- Create 2 sub-pools within the GME funding pool:
  1. Direct Graduate Medical Education (GME) Funding Pool
  2. Graduate Medical Education Cost of Care (GMECC) Funding Pool

Proposed Direct GME Pool Allocation

- Allocate funds from the Direct GME Pool based on a per resident amount.
- **Base Funding:**

  Hospital's Base Funding = $44,000 per resident x FTE resident count x MAR

  MAR = Medicaid Allocation Ratio. The percent of the hospital's revenue derived from Medicaid. Hospitals that serve more Medicaid patients will receive a higher amount of base funding.
- **Funding Bumps:** Certain GME programs will receive increased funding, based on state needs and priorities. The proposed bumps are:
  - Family Medicine: $28,500 / FTE resident
  - OB/GYN: $28,500 / FTE resident
  - General Pediatrics: $28,500 / FTE resident
  - Pediatric Specialty Programs: $13,500 / FTE resident
- Payments to be made to the hospitals quarterly.
- SFY 2017 Direct GME allocations for existing GME programs will be based on July 2015 FTE resident counts. SFY 2017 Direct GME allocations for new GME programs will be based on projected counts, as supplied by the Medical College of Georgia at Augusta University.

Proposed GMECC Pool Allocation

The Graduate Medical Education Cost of Care (GMECC) Pool will replace the current Indirect Medical Education (IME) funding methodology.

- IME will no longer be paid as part of the inpatient claim. Funds will be a flat grant amount to be paid quarterly.
- Funds will be in a separate pool to control growth of costs on non-teaching hospitals.
- Size of the pool and each hospital's annual allocation will be calculated using the formula currently in place and the hospital's prior year claims set.
- Hospitals with new GME programs will be eligible to start receiving GMECC funds when they show Indirect GME costs on their Medicare Cost Reports.

Administration of the Direct GME Pool: SFY 2017

Payments Amounts:

- Quarter 1: Paid under SFY 2016 methodology and amounts
- Quarters 2-4: Paid under new FTE methodology
- Payment amounts will continue to include the Hospital Provider Fee 11.88% add-on amount.

Data Collection:

- Before a hospital will be eligible to receive its quarterly Direct GME payment, the hospital will be required to submit its prior quarter GME FTE data in a format specified by DCH.
  - Quarter 1 (July-Sept): Submit April-June FTE data
  - Quarter 2 (Oct-Dec): Submit July-September FTE data
  - Quarter 3 (Jan-Mar): Submit October-December FTE data
  - Quarter 4 (Apr-June): Submit January-March FTE data

Administration of the GMECC Pool: SFY 2017

Payments Amounts:

- July 1, 2016 – September 30, 2016: Paid under the existing SFY 2016 per claim methodology
- October 1, 2016 – June 30, 2017: Paid under new GMECC pool methodology with flat grant payments to the hospitals each quarter

Administration of the Pools: SFY 2018+

Calculation of Final Pool Amounts:

- **Direct GME Pool:**
  - In Spring, DCH will utilize the prior fiscal year's Quarter 4 and the current fiscal year's Quarter 1, 2, and 3 FTE data to calculate the final allocation for the following fiscal year. New GME programs and rapidly growing programs (such as those programs in the Governor's initiative) will be included in the final allocation using estimated FTE counts.
    - For example, for SFY 2018, the final allocation will be calculated in Spring 2017 using the following quarters of FTE counts: SFY 2016 Quarter 4, SFY 2017 Quarter 1, SFY 2017 Quarter 2, and SFY 2017 Quarter 3.
- **GMECC Pool:**
  - Size of the pool and each hospital's annual allocation will be calculated using the formula currently in place and the hospitals' prior year claims sets.
  - Calculation of final allocation will occur in the Spring.

Budget Requests:

- Because of the current and upcoming rapid growth in GME programs and slots, DCH will be making budget requests for the Direct GME Pool and GMECC Pool as part of the annual appropriations process.

Next Steps

Comments/Questions:

- DCH will consider any final hospital input on the proposed direct and indirect GME models.
- DCH will address questions and comments during the current meeting.
- Written comments may also be submitted to DCH at:
  - mbetzel@dch.ga.gov
  - Written comments must be received by close of business Tuesday, May 31, 2016.

Next Steps for DCH:

- Issue Public Notice for all Updates to the IPPS Methodology, including changes to the Direct GME and IME Methodologies
- Draft and Submit Medicaid State Plan Amendment (SPA) to CMS for review and approval
- Issue guidance to the hospitals on the format for the FTE data submission

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Physician Upper Payment Limit (UPL) Supplemental Payments

Physician UPL Proposal

- Beginning July 1, 2016 (dependent upon CMS approval), DCH will be expanding the Physician UPL Supplemental Payment Program to include the following:
  1. All physician practices affiliated with a teaching hospital enrolled in Georgia Medicaid.
  2. Medicaid-eligible services provided by eligible physicians and mid-level providers.
     - Eligible mid-level providers will include: Advanced Registered Nurse Practitioners (ARNPs), Certified Registered Nurse Anesthetists (CRNAs), Physician Assistants, Certified Nurse Midwives (CNMs), Clinical Social Workers (CSWs), Clinical Psychologists, Optometrists, and Dentists.

Physician UPL Proposal Financing

- Participation in the Physician UPL program will continue to be voluntary and dependent upon the physician practice securing a commitment from a Hospital Authority, or other government body, to make an intergovernmental transfer (IGT) of funds to DCH to finance the state share of the supplemental payment.
- Physician Practices, Hospitals, and Hospital Authorities that wish to participate may be required to complete an application.

Next Steps

- Issue Public Notice
- Draft and Submit Medicaid State Plan Amendment (SPA) to CMS for review and approval
- Develop Application