



Graduate Medical Education (GME)

Graduate Medical Education refers to any type of formal medical education, usually hospital-sponsored or hospital-based training, pursued after receipt of the M.D. or D.O. degree in the United States. This education includes internship, residency, subspecialty and fellowship programs, and leads to state licensure and board certification.

Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 (Pub. L. 99-272) establish a methodology for determining payments to hospitals for the costs of approved graduate medical education (GME) programs. It sets forth a payment methodology for the determination of a hospital-specific, base-period per resident amount (PRA) that is calculated by dividing a hospital's allowable costs of GME for a base period by its number of residents in the base period. The base period is, for most hospitals, the hospital's cost reporting period beginning in FY 1984. Medicare direct GME payments are calculated by multiplying the PRA times the weighted number of full-time equivalent (FTE) residents working in all areas of the hospital (and non-hospital sites, when applicable), and the hospital's Medicare share of total inpatient days.

Based on the Medicare PRA estimate, the average cost to train a resident in the state of Texas is approximately \$89,000 per resident per year based on 2012 hospital cost report information. There are approximately 5,320 residency slots available, with an overall estimated cost of \$495 million in 2014. This estimate is only an approximation of the cost due to various caps and limits that have been implemented within the Medicare program, and it does not account for various differences in hospitals cost, payer mix or utilization. Although, the Medicare program has maintained the GME program reimbursement, the reimbursement is approximately 19% of the total cost. Approximately 81% of the total Texas GME cost remains unfunded due to the commercial insurance, uninsured and Texas Medicaid. Texas Medicaid elected not to continue to fund the Graduate Medical education cost which is estimated to be approximately \$155 million of the \$495 Million. This unfunded cost would be considered the portion to maintain existing programs for the required physician residency program, and does not provide for increasing residency slots to ensure residents train in the Texas medical schools are not forced to seek their residency training in other states. This cost is born by approximately 50 teaching hospitals in Texas, which has continued to decrease over the years since Texas Medicaid removed the GME funding program. Teaching Hospitals of Texas membership represent approximately 17 hospitals (34%), while making up approximately 61% of the total cost and 63% of the total residents. Approximately 13% of these hospitals GME total cost is reimbursed by the Medicare program, due to their higher Medicaid utilization.

The estimated Medicaid cost below was determined based on the following factors:

- CMS 2552 Hospital Cost Report with hospital FYE during the state fiscal year 2012;
- Medicare per resident amount for primary care physicians from the same cost report;

- The per resident amount was inflated consistent with the Medicare methodology using the hospital Market Basket inflation to 2014 (2013-2.6%; 2014-2.5%);
- Hospital residents were determined using the un-weighted resident FTE count;
- Medicaid utilization was determined using the traditional and managed care inpatient days divided by the total hospital inpatient days;
- The Medicaid total 2014 GME cost was cost adjusted for 2015, 2016 and 2017 at 2.5% increase per each year;
- Hospitals GME cost = Medicaid utilization x Un-weighted FTEs x Medicare PRA;

It is estimated that for the 2016-2017 biennial budget years the Medicaid cost would be approximately:

All Teaching Hospitals:

Method of Finance	FY 2016	FY 2017	Biennial
Federal (57.13%)	92,966,077	95,290,229	188,256,306
GR (42.87%)	69,761,172	71,505,201	141,266,373
Total	162,727,249	166,795,430	329,522,679

Teaching Hospitals of Texas (THOT):

Method of Finance	FY 2016	FY 2017	Biennial
Federal (57.13%)	70,363,732	72,122,825	142,486,557
GR (42.87%)	52,800,511	54,120,524	106,921,035
Total	123,164,243	126,243,349	249,407,592

Note: Texas Administrative Code §355.8058 Inpatient Direct Graduate Medical Education (GME) cost reimbursement for state-owned or state-operated teaching hospitals. This rule allowed the specific hospitals a Medicaid Cost PRA to be established in SFY 2009, and this cost may be greater than their estimated Medicare PRA, due to Medicare PRA cap limitations. For comparison or inclusion in the amounts above their Medicaid cost based on Medicare PRA is provided below:

Method of Finance	FY 2016	FY 2017	Biennial
Federal (57.13%)	12,364,184	12,673,289	25,037,473
GR (42.87%)	9,278,008	9,509,958	18,787,966
Total	21,642,192	22,183,247	43,825,439