



## KEY PROVIDER ISSUES IN HEALTH CARE REFORM

May 2010

### GRADUATE MEDICAL EDUCATION (GME) & INDIRECT MEDICAL EDUCATION (IME) (SEC. 5503)

#### Which slots are at risk?

The health reform bill requires CMS to take 65 percent of the DGME and IME residency slots that have gone unused by a hospital for the past three years and to redistribute them according to certain criteria. CMS will use the smallest number of residency slots that went unused over the entire three year period and will reduce the hospital's DGME and IME resident caps by 65 percent of that number. Note that CMS will not reduce the resident limit of rural hospitals with fewer than 250 acute care inpatient beds or hospitals that participated in a voluntary residency reduction plan and that have a plan in place to fill the unused positions by March 23, 2012. The AAMC estimates that about 900 slots will be redistributed under this program. Hospitals awarded slots under the redistribution program may be paid for those redistributed slots beginning July 1, 2011.

#### Which hospitals will get priority in the redistribution?

Under Section 5503 of the PPACA, hospitals may apply to receive up to 75 slots under this redistribution program, and in awarding these additional positions CMS is required to consider factors including: (1) the hospital's likelihood of filling the additional slots within the first 3 cost reporting periods beginning on or after July 1, 2011; and (2) whether the hospital has an accredited rural training track. The health reform bill also requires CMS to allocate 70 percent of the redistributed slots to hospitals in states with resident-to-population ratios in the lowest quartile and 30 percent of the redistributed slots to hospitals located in (a) the 10 states with the highest proportion of their populations living in a health professional shortage area (HPSA), and (b) rural areas. If the Secretary does not find enough hospitals in those areas to redistribute the slots, she is allowed to redistribute positions to other hospitals not meeting the above criteria. CMS will make the ultimate decision of which states meet the criteria, below is AAMC's interpretation.

*For information, contact Marian Lowe, Partner, Strategic Health Care,  
at 202-266-2606 or at [marian.lowe@shcare.net](mailto:marian.lowe@shcare.net).*

13 States with Lowest Resident-to-Population Ratios	10 States with Highest Proportion of Population Living in a HPSA
Montana	Louisiana
Idaho	Mississippi
Alaska	New Mexico
Nevada	Montana
South Dakota	Wyoming
Mississippi	Alabama
North Dakota	North Dakota
Florida	Missouri
Oregon	Arizona
Georgia	
Indiana	
Arizona	

States who do not qualify under the first or second criteria (states in the bottom quartile of resident to population ratios or the top 10 states by proportion of residents living in HPSAs) will need to qualify for slots via the 30 percent of positions that will be divided between hospitals in “rural areas” and hospitals in the top 10 states by the proportion of population living in HPSAs. Of course, if the Secretary ends up with remaining slots after the redistribution priorities specified in the statute, it is Strategic Health Care’s assumption is that the Secretary will redistribute addition slots to hospitals located in rural areas. This could open additional opportunities, as the training programs in some of the very rural states are extremely limited. It will be important in the application process to make a strong case for resident by articulating the “rural-ness” of the market and the challenge attracting and retaining physicians.

#### **Redistribution of Residency Slots from Closed Hospitals**

Under PPACA, hospitals that closed on or after March 23, 2008 residency slots will not be permanently redistributed to other hospitals. CMS is required to distributed the slots in the following priority, with preference given within each category to hospitals in the same GME affiliated group as the closed hospital –

1. Hospitals located in the same Core Based Statistical Area (CBSA) as the hospital or in a CBSA adjacent to the closed hospital;
2. hospitals located in the same state;
3. hospitals located in the same region of the country; and
4. if none of the above is possible, the slots will be redistributed by the criteria laid out in Section 5503 (above).

*For information, contact Marian Lowe, Partner, Strategic Health Care, at 202-266-2606 or at [marian.lowe@shcare.net](mailto:marian.lowe@shcare.net).*