

CMS PROPOSES RULE TO ELIMINATE FEDERAL REIMBURSEMENT FOR MEDICAID DIRECT GRADUATE MEDICAL EDUCATION PAYMENTS



On May 23, 2007, the Centers for Medicaid and Medicare Services (CMS) issued a proposed regulation to clarify that costs and payments associated with direct graduate medical education (GME) programs are not eligible for federal financial participation (FFP) under state Medicaid programs. The Administration had included this proposal in its fiscal year (FY) 2008 budget. According to CMS estimates, the proposed rule would save \$1.78 billion over five years.

CMS has previously allowed states to include hospital GME activities as a component of the cost of Medicaid inpatient and outpatient hospital services. However, the agency now proposes to eliminate authority for direct GME payments on the theory that these costs are not explicitly authorized as



eligible for FFP under the Medicaid statute. In addition, CMS expresses concern that states' current methodology for making Medicaid GME payments does not provide clear accountability, that the payments are difficult to track, and that there is little assurance that these payments are effective in supporting graduate medical education programs or providing benefits to Medicaid beneficiaries. CMS is specifically seeking comments on its proposal to continue to allow for indirect medical education (IME) payments on the theory that IME pays for extra patient costs incurred by teaching hospitals as opposed to education costs.

Provider associations, including Powell Goldstein client the National Association of Public Hospitals and Health Systems, have been pushing to include moratorium language in the Iraq emergency supplemental appropriations bill to prevent the Administration from cutting Medicaid GME payments to public providers as well as to prevent further work on a proposed regulation to limit public providers to cost. For more on this proposed cost limit rule, see our client alerts dated [January 23, 2007](#) and [March 1, 2007](#).

CMS's proposed GME rule is available online at <http://a257.g.akamaitech.net/7/257/2422/01jan20071800/edocket.access.gpo.gov/2007/pdf/07-2576.pdf>. Comments on the proposed rule are due June 22, 2007.

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