



Optimizing GME Pass Through Reimbursement for Residency Training Programs

Thomas W. Woller, M.S., FASHP
Senior Vice President, Pharmacy Services
Aurora Health Care
Milwaukee, Wisconsin

Overview of Presentation

- ❖ Program justification
- ❖ Non-CMS funding sources
- ❖ Medicare pass through rules
- ❖ Pass through example
- ❖ Areas for optimization
- ❖ Potholes to watch for
- ❖ Scenarios



Tell me about you

Are you . . .

- A. A residency program director
- B. An aspiring residency program director
- C. A preceptor
- D. A pharmacy administrator not listed above
- E. A contracted CMS fiscal intermediary



Residency Programs Justification

- ❖ CMS GME reimbursement
 - Direct and indirect
- ❖ Non-CMS funding sources
- ❖ Staffing
- ❖ Projects/services
- ❖ Qualitative benefits
 - Enhance overall teaching
 - Challenge staff to excel
 - Recruitment advantage



Non-CMS Sources of Residency Funding

- ❖ States (Texas, Minnesota)
- ❖ VA Hospitals
- ❖ Colleges of Pharmacy
- ❖ Pharmaceutical Industry
- ❖ Hospitals and Health Systems
 - Note that PGY-2 programs are not eligible for pass-through funding
- ❖ Department of Defense
- ❖ Others



Other Contributions by Residents

- ❖ Projects to improve quality of care
- ❖ New services
- ❖ Provision of patient care
- ❖ Participation in the teaching of Pharm.D. students
- ❖ Cost reduction strategies
- ❖ Learning environment
- ❖ Recruitment
- ❖ Staffing



Staffing Contributions of Residents

- ❖ 6 residents in the example
- ❖ 2 shifts every other weekend (1.2 FTE)
 - Not quite 1.2 FTE due to training
- ❖ Replace pharmacists on the schedule
- ❖ Pharmacist average salary \$120,000 + FB (30%)
- ❖ Value of resident staffing = \$187,200
- ❖ Careful with this justification; finance might want to reduce your RPh allotment correspondingly



CMS Reimbursement

- ❖ Approved educational program-- PGY-1 programs only
- ❖ Accreditation by ASHP required
- ❖ Based on percentage of inpatient Medicare pharmacy revenue
- ❖ Retroactive reimbursement is possible with caution
- ❖ CMS cost reporting is required for reimbursement
- ❖ Direct and indirect costs included
- ❖ Includes provision for Medicare Plus Choice patients
- ❖ Entity filing cost report must be the operator of the program
- ❖ August 1, 1998 AJHP



Definition of approved educational activities

- ❖ Nursing or allied health program
- ❖ Formally organized and planned program of study
- ❖ Operated by provider submitting cost report
- ❖ Enhance the quality of inpatient care at the provider
- ❖ Licensed (if applicable) or accredited by the recognized national professional organization for the particular activity.
- ❖ ASHP is specifically listed as the organization for pharmacy

42CFR §413.85



Operator of the Program

- ❖ Directly incur the training costs
- ❖ Have direct control over the “curriculum”
- ❖ Have direct control over the administration of the program
- ❖ Employ the teaching/training staff
- ❖ Provide classroom instruction (where required) and clinical training

* 42CFR §413.85(f)



“Absent evidence to the contrary, the provider that issues the degree, diploma, or other certificate upon successful completion of an approved education program is assumed to meet all of the criteria set forth in paragraph (F)(1) of this section and to be the operator of the program”

42CFR §413.85(f)



Eligible Costs for Medicare Reimbursement

- ❖ Resident salaries and fringe benefits
- ❖ Accreditation fees
- ❖ Preceptor salaries and fringe benefits
- ❖ Travel by resident
- ❖ Costs for recruitment
- ❖ Dues, subscriptions, books, other materials
- ❖ Subtract out payments, if any



Medicare Pass Through Example

- ❖ 711 bed community teaching hospital
- ❖ 6 residents
- ❖ Medicare accounts for 50% of inpatient pharmacy revenue
- ❖ Justification of program requested by VP
- ❖ Direct GME, indirect GME and other



Direct Expenses – Preceptor and Resident Salaries

| Title | Hrs/year | % of FTE | Salary/FTE | Total Dollars |
|--|----------|----------|------------|-------------------|
| Director | 312 | 15% | \$ 160,000 | \$ 24,000 |
| Manager, Clinical Svcs | 312 | 15% | \$ 130,000 | \$ 19,500 |
| Clinical Specialist | 3774 | 180% | \$ 120,000 | \$ 216,000 |
| Sub-Total | | | | \$ 259,500 |
| Fringe Benefits (30%) | | | | \$ 77,850 |
| Total Preceptor Salary/Benefits | | | | \$ 337,350 |
| Resident Salary | | | | \$ 390,000 |
| (6 residents @ \$50,000/yr plus 30% for fringes) | | | | |



Direct Expenses

| | |
|--|-------------------|
| Preceptor salaries/fringes | \$ 337,350 |
| Resident Salaries/fringes | \$ 390,000 |
| Other direct expenses | \$ 24,000 |
| Total Direct Expenses | \$ 751,350 |
| Medicare percentage (inpatient pharmacy revenue) | <u>X 0.50</u> |
| Total Direct Reimbursement | \$ 375,675 |



Indirect Reimbursement

- ❖ Approximately 30% of direct reimbursement
- ❖ Direct reimbursement is \$375,675
- ❖ Indirect reimbursement is \$112,703



New Expenses

| | |
|------------------------------|-------------------|
| Resident salaries & benefits | \$ 390,000 |
| Other expenses | \$ 24,000 |
| Total New Expenses | \$ 414,000 |



Overview of Financial Justification – 6 Residents

| | | |
|---------------------|-------------------|-------------------|
| New expenses | | \$ 414,000 |
| Reimbursement | | |
| - Direct | \$ 375,675 | |
| - Indirect | \$ 112,703 | |
| - Staffing | <u>\$ 187,200</u> | |
| New income | \$ 484,119 | \$ 675,578 |
| Net | | \$ 261,578 |



ROI Calculation

- ❖ New income (return) = \$675,578
- ❖ New expenses (investment) = \$414,000

- ❖ ROI = $\frac{\text{Return: } \$675,578}{\text{Investment: } \$414,000} = 1.63$
- ❖ Return is annual



Opportunities for Optimization

- ❖ Residency related travel
 - Preceptor, RPD, residents
- ❖ Supplies, books, services, fees, dues
- ❖ Recruitment
 - Travel, materials, lodging, meals, time
- ❖ Preceptor time
 - Training, prep time, fringes, interviewing
- ❖ Accreditation fees and expenses
- ❖ It's who pays the bill that matters
 - Consider impact on college and contractual relationships as an opportunity for optimization



Potholes to Watch For

- ❖ Costs incurred by non-hospital entities
- ❖ Internal understanding of nuances of pass-through
- ❖ Medical vs. Pharmacy residents
- ❖ Not for students, fellows, other training programs
- ❖ Status of cost report; single vs. multi-site
- ❖ Roll-up of cost centers in cost report
- ❖ Poor documentation and operator status
- ❖ Time studies
- ❖ Wording on accreditation certificate
- ❖ Auditors



Nursing & Allied Checklist

1. Please indicate the name of the nursing or allied health program.
2. List out the specialty that this program leads to.
3. Was there any tuition related to the program? If so, does the provider collect this? If so, please identify any tuition on the trial balance. Was this tuition offset on worksheet A-8? Please identify. If not, please explain why.
4. Please explain who administers the program. If operated by an outside entity, such as a college, university, etc., please provide copies of any agreements with the entity. Were there any arrangements with other entities?
5. Does the provider control both classroom and clinical training? Does an outside entity provide and control either of these (i.e., college, university, joint venture, etc.)? Please explain.



Nursing & Allied Checklist (cont'd)

6. Please provide a listing of students for the FYE 12/31/03. Does the provider issue the degree (certification) for the program? If so, please submit a copy for the students who received this in FYE 12/31/03. If not, please explain who does issue the degree, and their relationship with the hospital.
7. Please provide a copy of the syllabus with a list and description of the classes provided.
8. Please provide a copy of the program catalog.
9. Please provide a copy of the admission policy to get into the program.
10. Please provide a copy of the program curriculum. Does any other entity provide the training for any part of the curriculum?
11. Does any of the cost claimed for pass through payment relate to direct hands-on patient care? If so, please explain.
12. Please identify who employs the teaching staff.



Question

Teaching hospital conducts a residency that sends residents to other entities for rotations. Are there CMS GME implications

- A. For a teaching certificate?
- B. For a pediatric rotation?
- C. For a managed care rotation?
- D. For a clinical rotation at a hospital in the same system?
- E. All of the above?



Question

CMS requires that the organization submitting the Medicare cost report has control over the pass-through residency program. This includes

- A. Hospital defined as the “legal operator”?
- B. Hospital employs the residents & faculty?
- C. Directly incur the costs of training?
- D. Control over the administration of the program?
- E. All of the above?



Question

Have you seen your institution’s cost report that shows the step-down for pass-through reimbursement for pharmacy residencies?

- Yes
- No



Question

For those that answered “No”, will you do so when you get back?

Yes

No



Questions?

