

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: CALIFORNIA

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**GRADUATE MEDICAL EDUCATION PAYMENTS TO DESIGNATED PUBLIC HOSPITALS**

Effective January 1, 2017, graduate medical education (GME) payments shall be made to designated public hospitals (DPHs) using the methodologies described in this section, in recognition of the Medi-Cal Managed Care share of direct and indirect GME costs. Payments shall be made by the Department of Health Care Services (DHCS) to the DPHs on behalf of individuals enrolled in a Medi-Cal Managed Care plan. Actuarially sound capitation rates paid to Medi-Cal Managed Care plans shall not include the GME payments.

A. Eligible Entities

DPHs are the government-operated hospitals included in Appendix 1 to Attachment 4.19-A as eligible for cost-based inpatient hospital reimbursement. The provider must be an eligible DPH effective at or before the start of the state fiscal year (SFY) for which payments are being made. In cases where the provider does not remain an eligible entity for the entire SFY, the provider will receive interim direct and indirect GME payments for the quarter in which they have eligibility. If a provider is not eligible at the start of a quarter and continuously through the end of the same quarter, they will not receive GME payments for the respective quarter.

B. Interim Payment Methodologies

Interim direct and indirect GME payments shall be made to DPH on a quarterly basis based on the methodologies below. Final settlements shall occur according to the methodology described in paragraph C.

1. Direct GME Interim Payment

- a. By June 30th prior to the start of a given SFY, using the most recently available Medicare cost report, DHCS will calculate the projected annual direct graduate medical education (DGME) payment for each DPH for the given SFY by multiplying the following three factors: Full Time Equivalent (FTE) of interns, residents, and fellows, Medi-Cal Managed Care inpatient payer mix, and Per Resident Amount (PRA). Interim payments based on the annual projected DGME amount will be paid in quarterly installments.
- i. DGME FTE calculation. The number of Medicare allowable FTE interns, residents, and fellows in medicine, osteopathy, dentistry, and podiatry programs receiving training at the DPH system will be identified from the most recently available Medicare cost report form

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CMS-2552-10. In the CMS-2552-10 for the cost reporting period covering SFY 2016-2017, the FTEs are reported on worksheet E-4, line 17, column 1, plus worksheet E-4, line 17, column 2, plus worksheet E-4, line 22. In any future revisions to the CMS-2552, the equivalent cost report worksheets/parts/lines/columns will be used.

- ii. Medi-Cal Managed Care inpatient payer mix. The Medi-Cal Managed Care payer mix of the DPH system will be calculated as the ratio of Medi-Cal Managed Care inpatient days (excluding dual eligible days) divided by the total inpatient days for all payers. The Medi-Cal Managed care inpatient days include Medi-Cal days reported in acute areas and inpatient rehabilitation facilities including nursery, but excludes Inpatient Psychiatric Facilities (IPF). The total inpatient days for all payers includes IPF days. In the CMS-2552-10 for the cost reporting period covering SFY 2016-2017, the Medi-Cal Managed Care inpatient days are reported on worksheet S-2, part I, lines 24 plus 25, column 5; the total inpatient days for all payers are reported on worksheet E-4, line 27, plus worksheet S-3, part I, line 13, column 8. In any future revisions to the CMS-2552, the equivalent cost report worksheets/parts/lines/columns will be used.
- iii. Per Resident Amount (PRA). The PRA will be a set amount to reflect the average direct costs incurred in the operation of GME programs, which for SFY 2016-2017 shall equal \$111,522 per FTE. For subsequent SFYs, this amount shall be adjusted for the purposes of making interim payments by the estimated percentage change in the Consumer Price Index for All Urban Consumers (CPI-U, U.S. city average) for Medical Care services. During interim payment calculations, CPI-U for the given SFY will not be available, so a CPI-U from the most recently available SFY will be applied.

## 2. Indirect GME Interim Payment

- a. By June 30th prior to the start of a given SFY, DHCS will calculate the pool of annual indirect graduate medical education (IME) interim payments by multiplying the following factors for each DPH, and summing the results for all such hospitals: the hospital's adjusted Medi-Cal IME payment per inpatient day and total Medi-Cal Managed Care days. The total pool will be allocated to DPHs based on a percent distribution described in paragraph (2)(a)(v). Interim payments based on the IME pool and distribution percentages will be paid in quarterly installments.

- i. IME per inpatient day payment. To calculate each hospital's Medicare IME payment per inpatient day, total Medicare allowable IME payments are divided by Total Medicare days, based on data from the most recently available Medicare cost report form CMS-2552-10. The Medicare IME payment amount includes Medicare Advantage, Medicare Traditional, and Medicare inpatient rehabilitation facility (IRF) days. The sum of these items calculates the total Medicare IME payments. The total Medicare IME payment amount excludes IME payments associated with Inpatient Psychiatric Facility (IPF) days. Total Medicare days is the sum of traditional inpatient Medicare days and inpatient Medicare Advantage days excluding inpatient psychiatric services. In the CMS-2552-10 for the cost reporting period covering SFY 2016-2017, the Medicare IME payment amount is reported on worksheet E, part A, line 29.01, columns 1 and 1.01 (if any), plus worksheet E, part A, line 29, columns 1 and 1.01 (if any), plus worksheet E-3, part III, line 12 (if any). The total Medicare days are reported in worksheet E-4, line 26, column 1, plus worksheet E-4, line 26, column 2, minus worksheet S-3, part I, lines 3 and 16, column 6. In any future revisions to the CMS-2552, the equivalent cost report worksheets/parts/lines/columns will be used.
- ii. Adjusted Medi-Cal IME payment per inpatient day. Once the hospital's IME payment per inpatient day is calculated as described in subparagraph i, the hospital's Medi-Cal Managed Care case mix adjustment is applied to provide the adjusted IME payment per inpatient day. The Medi-Cal Managed Care case mix adjustor will be calculated based on the most recently available Office of Statewide Health Planning and Development (OSHPD) data, and will be the result of dividing each DPH's case mix index within Medi-Cal Managed Care by its case mix index within Medicare (traditional and Medicare Advantage).
- iii. Each hospital's adjusted Medi-Cal IME per inpatient day amount is multiplied by the total Medi-Cal Managed Care days. The total Medi-Cal Managed Care days are obtained from the most recently available Medicare Cost report and include IRF days but exclude IPF days. In the CMS-2552-10 for the cost reporting period covering SFY 2016-2017, the Medi-Cal Managed Care inpatient days are reported on worksheet S-2, part I, lines 24 plus 25, column 5. In any future revisions to the CMS-2552, the equivalent cost report worksheets/parts/lines/columns will be used.

- iv. The results of (iii.) for each DPH are summed to obtain the total pool of funds available for distribution in the given SFY.
- v. DHCS shall allocate the IME pool among the DPH in accordance with the following schedule.

<b>State Government-operated University of California (UC) Hospitals</b>	<b>Percent distribution of the total computable IME Pool</b>
UC Davis Medical Center	7.3%
UC Irvine Medical Center	4.3%
UC Los Angeles Medical Center	5.4%
UC San Diego Medical Center	4.7%
UC San Francisco Medical Center	8.3%
Santa Monica UCLA Medical Center (aka – Santa Monica UCLA Medical Center & Orthopedic Hospital)	0.6%
<b>Non-State Government-operated Hospitals</b>	
LA Co. University of Southern California Medical Center	20.0%
LA Co. Harbor/UCLA Medical Center	11.1%
LA Co. Rancho Los Amigos National Rehabilitation Center	0.3%
LA Co. Olive View Medical Center	5.0%
Alameda Health System - Highland Hospital	4.1%
Arrowhead Regional Medical Center	3.3%
Contra Costa Regional Medical Center	1.9%
Kern Medical	1.5%
Natividad Medical Center	0.5%
Riverside University Health System -- Medical Center	2.2%
San Joaquin General Hospital	0.9%
San Mateo Medical Center	0.4%
Santa Clara Valley Medical Center	7.9%
Ventura County Medical Center	0.7%
Zuckerberg San Francisco General Hospital	9.6%

### C. Final Settlements

DHCS will finalize interim payments using the most recently available filed and accepted Medicare cost reports for the given SFY and most recently available OSHPD data. Adjustments for overpayments and underpayments will be carried out,

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if necessary. Providers file Medicare cost reports five months after the close of the provider fiscal year. Final settlements must be completed by September 30th following submission of the given SFY's cost report. For example, final settlements for dates of service SFY 2019-20 interim payments must be completed by September 30, 2021.

#### 1. DGME

- a. The number of FTE interns, residents, and fellows in medicine, osteopathy, dentistry, and podiatry programs receiving training at the DPH system will be updated using the most recently filed and accepted Medicare cost report form CMS-2552-10 for the given SFY.
- b. The Medi-Cal Managed Care payer mix of the DPH system will be calculated as the ratio of Medi-Cal Managed Care inpatient days (net of dual eligible) divided by the total inpatient days for all payers. The Medi-Cal Managed Care inpatient days include Medi-Cal days reported in acute areas and inpatient rehabilitation facilities including nursery, but excludes Inpatient Psychiatric Facilities (IPF). The total inpatient days for all payers includes IPF days.
- c. The PRA shall be adjusted by applying the percentage change in the Consumer Price Index for All Urban Consumers (CPI-U, U.S. city average) for Medical Care services using data for the given fiscal year.

#### 2. IME

- a. The IME final settlement will be determined by updating the calculations in Paragraph B.2 with the most recently filed and accepted Medicare cost reports for the given fiscal year and most recently available OSHPD data.

#### D. Timeline

1. By January 31<sup>st</sup> prior to each SFY in which GME interim payments are made, DHCS will obtain the most recently available Medicare cost report forms CMS-2552-10 and the most recently available OSHPD data.
2. By June 30<sup>th</sup> prior to each SFY in which GME interim payments are made, DHCS will calculate the annual DGME and IME interim payments to be distributed on a quarterly basis.
3. By September 30<sup>th</sup> following the submission of the given SFY's cost report, DHCS will finalize payments and make adjustments for overpayments or underpayments if necessary.

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