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June 10, 2025

Dr. Mehmet Oz
Administrator
Centers for Medicare & Medicaid Services
Department of Health and Human Services
P.O. Box 8013
Baltimore, MD 21244-8013

Re: Medicare Program; FY 2026 Inpatient Psychiatric Facilities Prospective Payment System—Rate Update (RIN 0938–AV46)

Dear Administrator Oz:

The Association of American Medical Colleges (AAMC or the Association) welcomes this opportunity to comment on the fiscal year **(FY) 2026 Inpatient Psychiatric Facilities Prospective Payment System—Rate Update** (IPF PPS, 90 *Fed. Reg.* 18494, April 30, 2025), issued by the Centers for Medicare & Medicaid Services (CMS or the Agency). The AAMC commends CMS for its proposals regarding the updates to the IPF PPS resident FTE caps, and the facility level adjustments for teaching status, and rural location.

The AAMC is a nonprofit association dedicated to improving the health of people everywhere through medical education, health care, biomedical research, and community collaborations. Its members are all 160 U.S. medical schools accredited by the Liaison Committee on Medical Education; 12 accredited Canadian medical schools; nearly 500 academic health systems and teaching hospitals, including Department of Veterans Affairs medical centers; and more than 70 academic societies. Through these institutions and organizations, the AAMC leads and serves America's medical schools, academic health systems and teaching hospitals, and the millions of individuals across academic medicine, including more than 210,000 full-time faculty members, 99,000 medical students, 162,000 resident physicians, and 60,000 graduate students and postdoctoral researchers in the biomedical sciences. Through the Alliance of Academic Health Centers International, AAMC membership reaches more than 60 international academic health centers throughout five regional offices across the globe. Learn more at aamc.org.

The United States faces a growing shortage of an estimated 86,000 physicians by 2036 which threatens to significantly limit patients' access to health care. The Health Resources and Services Administration (HRSA) identifies that 36.6 percent of practicing psychiatrists are aged 65 or

older, and projects a shortfall of 50,440 adult, child, and adolescent psychiatrists by 2037.[1] Key to meeting this future demand is increasing the psychiatric physician workforce, which requires training more psychiatric and psychiatric subspecialty physicians. Psychiatry residents are required to complete part of their training in inpatient psychiatric settings. However, like acute care hospitals paid under the Inpatient Prospective Payment System (IPPS), inpatient psychiatric facilities and distinct part units (collectively referred to in this letter as IPFs) are subject to caps on the number of Medicare supported graduate medical education (GME) positions they are allowed to capture for Medicare reimbursement purposes. The proposed rule would provide relief for programs awarded positions under Section 4122 of the Consolidated Appropriations Act, 2023 (CAA, 2023) by allowing IPFs to receive cap adjustments for residency program time that takes place at an IPF.

Updates to the IPF PPS Resident FTE Caps

Section 4122 of the CAA, 2023 authorized 200 new Medicare-supported GME positions, to be effective July 1, 2026, with no fewer than 100 of the positions distributed to psychiatry or psychiatry subspecialty training programs.[2] In response to the proposed distribution methodology in the FY 2025 IPPS proposed rule, the AAMC and other stakeholders requested that CMS revise its policy for increasing the number of full-time equivalent (FTE) positions at IPFs and IPF distinct part units for the teaching adjustment associated proportional to the training time for Section 4122 awards.[3] Ultimately, CMS determined that it did not have the authority to address an IPF PPS policy in the IPPS.

The teaching status adjustment is a reimbursement meant to account for the higher indirect patient care costs associated with operating a teaching IPF and is commonly compared to the indirect medical education (IME) reimbursement under the IPPS.[4] Though the formulas are different, they have shared similarity in that, with all other variables held constant, the more FTEs a hospital may claim towards the adjustment, the greater the reimbursement for the IPF. Because programs are not eligible to request increases to the IPF teaching adjustment FTE count, any additional time residents spend in IPFs as a result of awards under Section 4122 (or Section 126) must be self-funded by the hospital.

Proposal for FTE Increases Associated with Section 4122 Awards to Programs that Rotate Residents to IPFs or IPF Distinct Part Units

The Agency proposes to allow an increase in the number of residents eligible for reimbursement at IPF facilities and IPF distinct part units for programs that receive awards under Section 4122. Under Section 4122, qualifying hospitals (generally those hospitals paid under the IPPS) are eligible for an increase in the number of resident GME FTE positions (or "slots") for direct graduate medical education (DGME) and IME. Residents in psychiatry and psychiatry subspecialty programs can spend significant training time in IPFs. For general psychiatry,

[1] https://data.hrsa.gov/topics/health-workforce/workforce-projections.
[2] P.L. 117-328.
[3] https://www.aamc.org/media/77341/download?attachment.
[4] 90 *Fed. Reg.* 18510.

residents may spend a minimum of 6 months, and a maximum of 16 months in an IPF.[5] As a part of the application process, hospitals must reduce the IME FTE award request commensurate with the amount of time residents spend at IPFs paid under the IPF PPS.

As proposed, CMS will increase the IPF teaching adjustment FTE cap for the proportional time residents train at the IPF facility. Specifically, the Agency is "proposing to recognize resident FTE cap increases that are awarded under section 4122 of the CAA, 2023, either to an IPF hospital or to an IPPS hospital for resident FTEs that are allocated to the IPF subunit paid under the IPF PPS."[6] **The AAMC strongly supports allowing IPF hospitals and IPF distinct part units to increase their teaching adjustment FTE caps for training time associated with residency programs awarded cap increases under Section 4122.** The AAMC urges CMS to consider a similar policy to recognize the portion of training that takes place in an IPF for awards made under Section 126 of the Consolidated Appropriations Act, 2021.[7]

On a technical note, hospitals that apply for slots under Section 4122 (and Section 126) may not apply for resident time that occurs at an IPF. Specifically, the application for Section 4122 requires hospitals to reduce IME FTE award requests for any training time spent at facilities paid under the IPF PPS. For instance, if residents in a program spend twelve months of the four-year program (or 25% of training time) in an IPF distinct part unit, the hospital would have to reduce the Section 4122 application for IME by 25%. Stated another way, a psychiatry program eligible to increase its complement by 4 FTEs, would request 4 DGME FTEs and 3 IME FTEs. Because resident time in IPFs must be reduced as part of the application, the time is effectively "lost" for IPF reimbursement purposes, even though residents receive required training at these facilities. CMS could add a line on the cost report to account for additional FTEs as the result of increased training at the IPF from Section 4122 (or Section 126). On review, the Medicare Administrative Contractor would work with the hospital to ensure that adjusted FTEs align with programs awarded Section 4122 slots.

With the first implementation of the FY 2005 IPF PPS, CMS established a policy for capping the number of teaching adjustment FTEs and aligned it with the policy for capping IME FTEs under the IPPS.[8] As the discretion of establishing teaching adjustment policies for IPFs is left to the Secretary, and not defined in statute like IME, CMS has broad authority to address policy changes as necessary for the teaching adjustment at IPFs. For the original determination of the teaching adjustment FTE cap, CMS stated in the FY 2005 IPF PPS Final Rule that "[w]e will,

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[5] Accreditation Council for Graduate Medical Education (ACGME) Common Program Requirements (Psychiatry) IV.C.3.f and IV.C.3.f(1). *"This must include a minimum of six months of significant responsibility for the assessment, diagnosis, and treatment of general psychiatric patients who are admitted to traditional psychiatry units."*

[6] 90 *Fed. Reg.* 18511-2.

[7] P.L. 116-260.

[8] CMS proposes to use its authority under 42 CFR 412.424(d)(1)(iii)(D) to increase FTE caps for programs awarded slots under Section 4122. The AAMC agrees with the agency's assessment that the regulation was originally intended to align the IPF PPS teaching adjustment cap policy with the IME cap policy established under the Balanced Budget Act of 1997 (BBA P.L. 105-33). Section 4122 allows for cap increases to the resident FTE limit established under the BBA. In this context, allowing cap increases for resident training time associated with Section 4122 awards for *new or existing programs* would be consistent with the IME adjustments permitted under Section 4122.

however, monitor the impact of these policies closely and consider changes in the future when appropriate."[9] Therefore, the original rulemaking contemplated a need to revisit the policy at some future point to ensure alignment with IME policies as they change.

The AAMC believes CMS has the authority to implement these changes for increases in teaching adjustment FTE caps that align with IME policies. Because Section 4122 (and Section 126) are distinct one-time increases for programs, there is a limit to the number of FTEs this policy could authorize. It is appropriate to allow an increase for training time spent at IPFs for programs awarded FTEs under Section 4122, as these programs are required to include training time in inpatient psychiatric settings.

Associated Increases for Section 126 Awards

The AAMC asks that CMS consider applying the proposed policy for Section 4122 awards to **increase the teaching adjustment FTE caps for training time associated with residency programs** awarded positions under Section 126 of the Consolidated Appropriations Act, 2021 (CAA, 2021). The CAA, 2021 authorized 1,000 new Medicare supported GME positions to qualifying hospitals. Section 126 applications must reduce FTE award requests commensurate with the time spent at IPF or IPF distinct part unit facilities, just like Section 4122 applications.

Training programs awarded slots under Section 126 have the same need for increases at IPFs as hospitals awarded slots under Section 4122 because they have the same training requirements.[10] It is a logical policy extension to afford Section 126 programs the same consideration that CMS proposes for Section 4122 programs. CMS should initiate an application process for programs awarded FTEs under Section 126 that train residents at facilities paid under the IPF PPS for teaching adjustment FTEs.

Facility Level Adjustments for Teaching Status and Rural Location

In the FY 2025 IPF PPS proposed rule, CMS issued an RFI associated with a review of updated payment modeling required under the CAA, 2023. The AAMC and other organizations requested that CMS revise the facility level payments associated with teaching status and rural location, in accordance with the updated cost modeling for these reimbursements.[11] The modeling further updated in the FY 2026 IPF PPS proposed rule demonstrates that the current facility level payments are inadequate, and do not reflect current costs incurred by teaching and rural IPFs. The AAMC appreciates CMS listening to stakeholders and the proposed updates associated with new regression modeling for these facility level payments. **Specifically, the AAMC supports the CMS proposals to increase the teaching adjustment from 0.5150 to 0.7981, and the rural location adjustment from 17 percent to 18 percent.** These updated facility level reimbursements should better account for the increased costs associated with these facility level

[9] 69 *Fed. Reg.* 66955-6.
[10] Reviewing award data for the first three rounds of Section 126 distributions, roughly 90 IME FTEs were awarded for increases in psychiatry or psychiatry subspecialty training programs. This means the pool associated with Section 126 awards (to date) would be similar to the need for proportional increases at IPFs associated with the minimum 100 FTEs allocated for Section 4122.
[11] 89 Fed. Reg. 23146, https://www.aamc.org/media/76306/download.

factors.

In conclusion, the AAMC appreciates the opportunity to comment on the FY 2026 IPF PPS proposed rule and supports increases to resident FTE caps for IPFs and IPF distinct part units associated with programs awarded slots under Section 4122. Additionally, the AAMC requests that CMS allow for programs awarded slots under Section 126 to increase resident FTE caps for the proportion of time spent at IPFs. The AAMC also supports the proposed increase to facility level adjustments for teaching status and rural location. Should you have any questions about these comments, please contact Bradley Cunningham bcunningham@aamc.org.

Sincerely,

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Cc: David J. Skorton, M.D., AAMC President and Chief Executive Officer