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## Medicare Rules When a Teaching Hospital Closes<sup>1</sup>

- Residents displaced from their residency program due to hospital or program closure may continue their training at any other hospital that is willing to take them.
- For a hospital that is closing to temporarily transfer slots to allow displaced residents to continue their training, the Chief Financial Officer (CFO) or an individual with similar authority must sign an agreement with the receiving hospital to transfer the slots.
- A receiving hospital (i.e., the hospital that agrees to take displaced residents) is eligible to be paid the same amount of direct graduate medical education (DGME) and indirect medical education (IME) for the displaced residents that it receives for the residents it is currently training.
- If a resident is in his/her initial residency period (IRP), the resident is counted as a 1.0 FTE on the receiving hospital's cost report for DGME. The IRP is determined by the first residency the resident enters and is based on the minimum number of years to be board eligible in his/her specialty. With minor exceptions, a resident cannot be counted as a 1.0 FTE for more than 5 years. For the IME, there is no weighting.
- To receive a temporary cap adjustment for the displaced residents, the receiving hospital must notify its Medicare Audit Contractor (MAC) within 60 days of the transfer with a letter that contains the names and social security number of the displaced residents and the amount of the cap increase for each resident. Documentation of the hospital closure must be provided as well as a signed agreement with the transferring hospital.
- Upon the displaced residents' completion of training, the FTE slots from the closed hospital will be permanently redistributed through the Section 5506 application and award process. Hospitals that train displaced residents are not guaranteed to receive additional slots through Section 5506 redistribution, but training displaced residents ranks highly among the criteria CMS considers when determining awards.

### Key Takeaways

\*Displaced residents can transfer to any hospital that is willing to train them in their specialty.

\* The CFO or official with similar authority at the hospital that is closing must sign an agreement with the receiving hospital to transfer the slots.

\*The receiving hospital will receive a temporary cap adjustment for the duration of the residents' training. It must send CMS notification of the transferred slots within 60 days and must include information specified by CMS.

\*The receiving hospital's DGME payment and IME adjustment will be the same for the displaced residents as it is for the residents it is currently training.

\*For more information on CMS rules, download [Medicare Payments for Graduate Medical Education: What Every Medical Student, Resident, and Advisor Needs to Know](#).

Prepared by the AAMC GME Team ([GMEquestions@aamc.org](mailto:GMEquestions@aamc.org)), July 2019

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### <sup>1</sup> Sources

- [42 CFR 412.105\(f\)\(1\)\(ix\)\(A\)](#) "Hospitals that incur indirect costs for graduate medical education programs; Determining the total number of full-time equivalent residents for cost reporting periods beginning on or after July 1, 1991"
- [42 CFR 413.79\(h\)\(2\)](#) "Direct GME payments: Determination of the weighted number of FTE residents; Closure of a hospital"
- [42 CFR 412.105\(f\)\(1\)\(ix\)\(A\)](#) "Hospitals that incur indirect costs for graduate medical education programs; Determining the total number of full-time equivalent residents for cost reporting periods beginning on or after July 1, 1991"