



**Division of Finance and Rate Setting
Bureau of Mental Hygiene Services, Hospital and Clinic Rate Setting**

New Teaching Hospital and Displaced Residents Policy

(A) New Teaching Hospital: *The new teaching hospital policy will be implemented for discharges on and after January 1, 2014.*

1. Eligible for reimbursement:

- a. New teaching hospital (from non-teaching to teaching status)
- b. New residency programs which are started by the new teaching hospital during the 5 year ramp-up period. (not a program transferred – see ‘not eligible’ section, item b).

2. Not eligible for reimbursement:

- a. New teaching program in an already existing teaching hospital.
- b. Residency programs transferred to the new teaching hospital from an existing teaching hospital.
- c. Affiliated existing teaching hospital training additional residents ‘based at’ the new teaching hospital. Affiliated hospital will not receive a rate adjustment.

3. Appeal requirements:

- a. A hospital is required to submit a written request to the Department of Health (Department) for additional reimbursement due to the new teaching status.
- b. An initial rate adjustment will be calculated for Program Year 1 (PGY 1) provided the Department has received the appeal request and all supporting documentation required prior to the start of the first teaching program. If an appeal is received subsequent to PGY 1, the rate adjustment will be calculated based on the ramp-up period that the provider is in at the time of the appeal request.
- c. The ramp-up schedule is determined based on the Department’s receipt of the appeal request per 3b above. Ramp-up appeal requests will only be accepted during the hospital’s determined schedule. The appropriate schedule will be noted in the Department’s response to the appeal request. A chart of the potential appeal schedules has been provided on the next page.



Program Year	Appeal Deadline	Effective Date of Rate Adj.	Rate Year / Resident counts	Ramp- Up Schedule
1	30 days prior to July 1st	July 1st	Program	Initial Program Year
2	30 days prior to Jan 1st	Jan 1st	January - Weighted	Schedule 1
	After Jan 1st but 30 days prior to July 1st	July 1st	July - PGY residents	Schedule 2
3	30 days prior to Jan 1st	Jan 1st	January - Weighted	Schedule 1
	After Jan 1st but 30 days prior to July 1st	July 1st	July - PGY residents	Schedule 2
4	30 days prior to Jan 1st	Jan 1st	January - Weighted	Schedule 1
	After Jan 1st but 30 days prior to July 1st	July 1st	July - PGY residents	Schedule 2
Final	30 days prior to Jan 1st	Jan 1st	January - Weighted	Schedule 1
	After Jan 1st but 30 days prior to July 1st	July 1st	July - PGY residents	Schedule 2

d. Per the Centers for Medicare and Medicaid Services (CMS) guidance, hospitals have 5 years to establish new programs. This time period is viewed as a 'ramp-up' period and year 1 of the program is defined as the first approved program year that the hospital received teaching status. Appeals for new teaching costs will only be accepted during this ramp-up period in accordance with section 3c above.

e. Appeal Documentation required:

- Completion of the Department's standardized template (Form A).
- Documentation from the accrediting organization demonstrating the maximum number of approved positions eligible for the associated programs.
- PGY 1:
 - Documentation from the new teaching hospital demonstrating the actual filled slots for the associated programs. If actual is not available, projected can be submitted. During the ramp-up period, actual will be required to replace projected based on the ramp-up period documentation stated below.
- Ramp-up Period for each PGY:
 - Upcoming PGY: Documentation from the new teaching hospital demonstrating the actual filled slots for the associated programs. If actual is not available, projected can be submitted.
 - Prior PGY: Documentation from the new teaching hospital demonstrating the actual filled slots for the associated programs replacing projected if actual had not been submitted.



4. Additional reimbursement received based on:

- a. The initial effective date of the rate increase due to an appeal will be in accordance with 3b above. This provides for reimbursement effective July 1st.
- b. Subsequent appeals will be accepted in accordance with 3c above during the ramp-up period.
- c. Direct Medical Education (DME): Submission of budgeted DME costs until the first full year of actual DME costs are available in a provider’s Institutional Cost Report (ICR). The first full year of actual DME costs for this purpose will be the first full year after the last ramp-up year.
 - DME budgeted costs can be submitted each year during the ramp-up period. These costs are required to be reported in section 5 of the New Teaching Hospital template (Form A).
 - If an appeal is not submitted with updated budgeted DME costs, the budgeted DME costs currently in the rate will continue.
 - The DME budgeted costs will be allocated between inpatient and outpatient services, however, there is no rate increase in the outpatient services for new teaching hospitals. Appeals for an initial rate adjustment are required to report the percentage of costs allocated to Inpatient and Outpatient services in section 6 of the New Teaching Hospital template (Form A). Once a full year of program costs have been included in an ICR submitted to the Department during the ramp up period, those DME traceback percentages for that year will be utilized for the remainder of the ramp-up period.
 - At the time the Department rebases, if the provider is still in their ramp-up period, the new teaching costs will remain on budgeted costs.
- d. Indirect Medical Education (IME): An IME percentage will be calculated in accordance with Part 86-1.20(b)(1).
 - $IME\ Payment\ \% = [1.03 * (((1 + (B/A))^{0.405}) - 1)]$ where **A** represents inpatient acute staff beds as reported in the ICR utilized as the base year for the current inpatient acute Medicaid rates. **B** represents the total count of residents based on projected / actual filled slots for new residency programs during the ramp-up period.
 - **B** is determined as follows:
 - Initial rate appeals effective July 1, **B** will be calculated based on total actual/projected residents for the academic year. Subsequent ramp-up appeals will be calculated based on total actual/projected residents for the academic year.
 - Rate appeals effective January 1, **B** is calculated as a calendar year weighted resident count:

Current PGY:	Actual/Projected resident count x 6 months =	X resident count
Prior PGY:	Actual resident count x 6 months =	$\frac{Y\ resident\ count}{Total\ resident\ counts}$
 - **B - Weighted Resident count = Total resident count / 12 months**
- e. IME residents will be calculated each ramp-up year until the final year ramp-up.



(B) Displaced Residents: *The displaced residents policy will be implemented for discharges on and after July 1, 2014.*

1. Eligible for reimbursement:

- a. Displaced residents due to the closing of a teaching hospital.
 - Hospitals that take in residents from a closed hospital after Jan 1st of the base year and before the next rebasing effective date.
 - The hospital takes in the residents for 6 months or more of needed training to complete the program from which they were displaced.
- b. Multiple appeals can be submitted by a facility for additional hospital closures.

2. Not eligible for reimbursement:

- a. Displaced residents due to the closing of a residency program.
- b. Displaced residents due to teaching hospitals closing, requiring less than six months of training to complete the program from which they were displaced.

3. Appeal requirements:

- a. A hospital is required to submit a written request to the Department for additional reimbursement due to displaced residents.
- b. Effective date of the rate adjustment:
 - Effective the first day of the month following the later of:
 - i. The Department's receipt of the written notification and documentation requesting a rate adjustment, or
 - ii. The date the hospital has taken in the displaced residents.
 - Provider will receive no further adjustment for this specific hospital closure until the next rebasing.
- c. Receiving a Medicare cap increase is not a requirement for submitting a Medicaid rate appeal.
- d. Documentation required:
 - Completion of the Department's standardized template (Form B).
 - Documentation will not be required proving the continuance of the filled position post-graduation of the displaced resident.
 - The Department will obtain information from the closing hospital pertaining to placement of the displaced residents.



4. Additional reimbursement received based on:

- a. The revised FTE count based on the added residents.
- b. The added resident count will be for filled slots only at the time the hospital takes in the residents from a closed teaching hospital. No additional adjustment will be received if slots are subsequently filled after the hospital takes in the displaced residents.
- c. Direct Medical Education (DME) cost calculation:
 - A cost per resident will be calculated using the current base year costs of the receiving hospital's Institutional Cost Report (ICR).
 - The cost per resident will be applied to the displaced resident added FTE count to determine the additional DME costs to be included in rate development.
- d. Indirect Medical Education (IME): Additional residents will be reflected in the revised staffing count.