

Optimizing GME Pass Through Reimbursement for Residency Training Programs

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Overview of Presentation



- ◆ Program justification
- ◆ Non-Medicare funding sources
- ◆ Medicare pass through rules
- ◆ Pass through example
- ◆ Areas for optimization
- ◆ Potholes to watch for
- ◆ Examples of issues



Residency Programs Justification



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

Non-Medicare Sources of Residency Funding

- ◆ State Funding; Texas, Minnesota
- ◆ VA Hospitals
- ◆ Colleges of Pharmacy
- ◆ Pharmaceutical Industry
- ◆ Hospitals and Health Systems
- ◆ Department of Defense
- ◆ Others

Medicare Reimbursement

- ◆ Approved educational program
- ◆ PGY-1 only
- ◆ Accreditation by ASHP required
- ◆ Based on percentage of Medicare business
- ◆ Retroactive reimbursement is possible
- ◆ Reporting is required for reimbursement
- ◆ Direct and indirect costs included
- ◆ August 1, 1998 AJHP

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 61% of revenue
- ◆ Justification of program requested by VP
- ◆ Direct GME, indirect GME and other

Direct Expenses - Preceptor and Resident Salaries

<u>Title</u>	<u>Hrs/year</u>	<u>% of FTE</u>	<u>Salary/FTE</u>	<u>Total Dollars</u>
Director	312	15%	\$110,000	\$ 16,500
Associate Director	312	15%	\$ 95,000	\$ 14,250
Clinical Specialist	3774	180%	\$ 75,000	<u>\$135,000</u>
Sub-Total				\$165,750
Fringe Benefits (25%)				<u>\$ 41,438</u>
Total Preceptor Salary				\$207,188
Resident Salary				\$259,200
(6 residents @ \$36,000/yr plus 20% for fringes)				

Direct Expenses

Preceptor salaries/fringes	\$198,900
Resident salaries/fringes	\$259,200
Other direct expenses	\$ 16,200
Total direct expenses	\$474,300
Medicare percentage	<u>X 0.61</u>
Total Direct Reimbursement	\$289,323

Indirect Reimbursement

- ◆ Approximately 30% of direct reimbursement
- ◆ Direct reimbursement is \$289,323
- ◆ Indirect reimbursement is \$86,796



Other Contributions by Residents



- ◆ Projects to improve quality of care
- ◆ New services
- ◆ Cost reduction strategies
- ◆ Learning environment
- ◆ Recruitment
- ◆ Staffing

Staffing Contributions of Residents

- ◆ 6 residents
- ◆ 2 shifts every other weekend (1.2 FTE)
- ◆ Replace pharmacists on the schedule
- ◆ Pharmacist average salary \$75,000 + FB
- ◆ Value of resident staffing = \$108,000

Overview of Financial Justification – 6 Residents

New expenses		\$275,400
Reimbursement		
- Direct	\$289,323	
- Indirect	\$ 86,796	
- Staffing	<u>\$108,000</u>	
New income	\$484,119	\$484,119
Net		\$209,119

Opportunities for Optimization

- ◆ Residency related travel
 - Preceptor, PD, 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

Potholes to Watch For

- ◆ Costs incurred by non-hospital entities
- ◆ Medical vs. Pharmacy residencies
- ◆ Not for students, fellows, other training or educational programs
- ◆ Status of cost report; single vs. multi-site
- ◆ Roll-up of cost centers in cost report
- ◆ Exclude PGY-2 expenses

Teaching hospital questioned by fiscal intermediary

- ◆ FI questioned applicability of some costs on cost report
- ◆ FI applied nursing and lab standards to pharmacy
- ◆ Hospital government affairs staff met with FI and cleared up misconceptions
- ◆ FI is not always knowledgeable about the nuances of pharmacy residencies and GME pass-through

Community hospital questioned by FI and finance staff

- ◆ Some expenses originally disallowed by FI and finance, then allowed
- ◆ Required by finance staff to record time in 15 minute increments

Community hospital wants to seek retroactive funding

- ◆ Hospital acquired by another system
- ◆ Determined that funding was not sought, filed for retroactive funding
- ◆ Sent verification that an accredited program existed, no retro funding provided

Hospital asked for additional information by auditor

- ◆ Tuition
- ◆ Specialty
- ◆ Leads to job?
- ◆ Who administers
- ◆ Control of training
- ◆ Copy of “syllabus”
- ◆ Copy of curriculum
- ◆ Relates to direct patient care?
- ◆ Who employs teachers
- ◆ Arrangements with outside agencies?
- ◆ Copy of certificate

Suggested Resources

- ◆ Miller DE, Woller TW. Understanding reimbursement for pharmacy residents. *Am J Health-Syst Pharm.* 1998; 55:1620-3.
- ◆ Ray MD. A case for public support of pharmacy residency training. American Society of Health-System Pharmacists



Questions?