The Medicare Crosswalk IME Pool Act of 2015

Summary

Teaching hospitals incur higher costs in providing care because of their unique educational mission. They provide on-the-job training to doctors who have just graduated from medical school (known as "resident physicians"). They also support clinical research that produces highly innovative treatments. As a result, these hospitals tend to attract patients with some of the toughest conditions to treat.

To offset these higher costs, Medicare provides these hospitals what are called indirect medical education (IME) payments. Medicare provides an extra payment for each case of inpatient care—basically a percentage increase of the typical reimbursement amount based on a formula. IME payments vary based on hospitals' "teaching intensity" (as measured by the ratio of residents to hospital beds). In other words, IME payments reimburse teaching hospitals for inpatient volume and case mix as well as the size of their residency programs (subject to their resident cap number).

But the current IME method of reimbursement is unintentionally incentivizing teaching hospitals to provide care in the most expensive setting. Both the Medicare Payment Advisory Commission and the Congressional Budget Office have found that more hospitals are performing outpatient care. Because IME payments are tied to the amount of inpatient care, the payment schedule is therefore reducing IME payments to teaching hospitals.

H.R. 3292 would instruct the Secretary of Health and Human Services to give each teaching hospital a lump-sum payment to reimburse IME costs, instead of paying the hospital an additional percentage based on each inpatient case. The goal of the legislation is not to reduce IME spending, but to give more stability and confidence in the program's ability to support medical education, while still maximizing incentives to deliver care in the lowest cost and highest quality setting.