

Indirect Medical Education (IME): Current Medicare policy, concerns, and principles for revising

ISSUE: Medicare compensates teaching hospitals for the indirect costs that teaching activities add to the cost of treating Medicare beneficiaries. These Indirect Medical Education (IME) payments to teaching hospitals are calculated as a percentage add-on to their inpatient Medicare payments. Historically, IME payments have been well above the additional indirect inpatient care costs associated with training residents. Additionally, some have questioned whether it is appropriate to pay IME only as an inpatient add-on, especially as patient care has shifted toward outpatient settings.

KEY POINTS: In September 2019, the Commission discussed current IME policy and options for moving to an inpatient and outpatient IME policy that maintained Medicare’s current level of support to teaching hospitals. This updated paper reflects Commissioner comments and includes additional impact analyses.

ACTION: Commissioners will discuss potential principles for revising IME policy.