

Indirect Medical Education (IME): Current Medicare policy, concerns, and considerations 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: The staff will discuss ways IME payments could be reallocated so that IME adjustments would apply to both inpatient and outpatient care. This could be done in a budget neutral manner so that aggregate Medicare payments to teaching hospitals would not be affected.

ACTION: The Commissioners will discuss potential directions for changes to IME policy.