

Revising Medicare’s indirect medical education payments to better reflect teaching hospitals’ costs

ISSUE: Medicare compensates teaching hospitals for the indirect costs that teaching activities add to the total costs 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 and October 2020, 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.

ACTION: Commissioners will review impacts from an updated illustrative policy and discuss the Chair’s draft recommendation.