

# PUBLICATION

## Noteworthy GME Payment Policies in CMS FY 2026 IPPS and IPF Proposed Rules

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This month, the Centers for Medicare & Medicaid Services (CMS) issued several noteworthy proposed Graduate Medical Education (GME) payment policies and opportunities in its fiscal year (FY) 2026 Medicare Inpatient Prospective Payment System (IPPS) Proposed Rule and Inpatient Psychiatric Facilities (IPF) Prospective Payment System Proposed Rule (collectively, the Proposed Rules). Below is a summary of the key GME provisions. Comments on the Proposed Rules are due on June 10, 2025.

### SUMMARY OF KEY GME PAYMENT PROVISIONS

#### 1. Notice of Closure of Teaching Hospitals and Opportunity to Apply for Available Residency Slots

*Notice of Closure.* Under Section 5506 of the ACA, CMS must redistribute the residency slots of a hospital that closes. In the Proposed Rule, CMS provided public notice that the residency slots from the closure of two hospitals are available for redistribution. The table below contains the identifying information and Independent Medical Examination (IME) and direct GME full-time equivalents (FTE) resident caps for the closed hospitals.

CCN	Provider Name	City and State	CBSA Code	Terminating Date	IME FTE Resident Cap	Direct GME FTE Resident Cap
520013	Wahiawa General Hospital	Wahiawa, HI	46250	April 2, 2024	17.16	14.31
220017	Carney Hospital	Boston, MA	14454	August 31, 2024	63.15	61.14

*Application Process for Available Resident Slots.* Interested hospitals may access the application through MEARIS. Hospitals that wish to apply for and receive slots from the closed hospitals' FTE resident caps must submit applications via [MEARIS](#) no later than July 10, 2025.

*Application Considerations.* A hospital applicant must demonstrate a likelihood of filling requested slots within the three academic years immediately following the application deadline to receive slots after a particular hospital closes. Priority is given to hospitals located in the same geographic region as a closed hospital. Hospitals located in the same or a contiguous Core-Based Statistical Area (CBSA) are given the highest priority, and those in the same state or region receive the next highest. Among other factors, CMS also gives preference to an applicant that:

- Assumed a program from the closed hospital;

- Received slots from the closed hospital under a GME affiliation agreement and would use the slots to continue to train at least the same number of residents the closed hospital had trained under the affiliation agreement;
- Took in the resident physicians displaced by the hospital closure and would continue to train residents in the same programs as the displaced residents, even after the displaced residents completed their training;
- Will use the slots to establish a new or expand an existing geriatrics residency program; or
- Is located in a Health Professional Shortage Area (HPSA) and will use all the additional slots to establish or expand a primary care or general surgery residency program.

## **2. Teaching Status Adjustment Factor and IPF Cap Increases**

Under Section 4122 of the Consolidated Appropriations Act, 2023 ("CAA, 2023"), CMS must distribute 200 Medicare-funded physician residency slots in FY 2026, with at least half of these slots (100 positions) going to psychiatry or psychiatry subspecialty residencies. The phrase "psychiatry or psychiatry subspecialty residency" is defined in section 1886(h)(10)(F)(ii) of the Social Security Act to mean "a residency in psychiatry as accredited by the Accreditation Council for Graduate Medical Education for the purpose of preventing, diagnosing, and treating mental health disorders." Hospitals with a psychiatry subspecialty residency include both acute care IPPS hospitals and freestanding psychiatric hospitals paid under the IPF PPS.

The Proposed Rule seeks to recognize increases in resident FTE caps allocated to IPFs or IPPS hospitals under Section 4122 of the CAA, 2023, specifically for psychiatry or psychiatry subspecialty residency programs. It proposes that these increased FTE caps be incorporated into the teaching adjustment calculation under the IPF PPS, aligning with existing regulations under § 412.424(d)(1)(iii)(D), which allow for adjustments to FTE caps for newly approved GME programs. This would enable IPFs to account for newly distributed psychiatry residency positions when determining teaching payments while maintaining consistency with current policies and preventing artificial inflation of resident numbers to increase teaching payments.

## **3. Clarification of Calculation of FTE Resident Counts and Caps for Cost Reporting Periods Other than 12 Months and Three-Year Rolling Averages**

CMS clarifies its policies for calculating FTE resident counts and caps for direct GME and indirect medical education (IME) payments for cost reporting periods other than 12 months and three-year rolling averages. In the calculations, if the current cost reporting period is other than 12 months, the direct GME FTE counts must be prorated to reflect a 12-month equivalent, 365 or 366 days. IME FTEs must be based on the actual number of days in the reporting period.

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For more information about the Proposed Rules or further analysis regarding Medicare GME payment opportunities and other federal and state funding for graduate medical education programs, please contact [Allison M. Cohen](#), [Gregory M. Fliszar](#), [Alex S. Lewis](#), [Samuel Cottle](#), or any other member of Baker Donelson's Reimbursement or Health Law Group.