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BALTIMORE MD 21244-1850

Laura Loeb
Hogan & Hartson, L.L.P.
Columbia Square
555 Thirteenth St. N.W.
Washington, D.C. 20004-1109

Dear Ms. Loeb:

We have reviewed your January 22 letter and the examples you submitted regarding the calculation of the resident full-time equivalent (FTE) counts for determining the indirect medical education (IME) adjustment. In addition, we have reviewed the letter from Anthony J. McNevin and C. Scott Litch that accompanied your letter.

We agree with the basic points raised in both letters: there is no cap established to specifically limit hospitals' dental and podiatry FTE counts; the resident-to-bed ratio used to determine a hospital's IME adjustment may increase as a result of an increase in the number of dental and podiatry residents (note that the ratio may increase irrespective of whether the hospital's number of available beds stays the same, decreases, or increases); increases in the number of dental and podiatry FTEs are phased-in using the rolling average methodology, and increases in the resident-to-bed ratio are generally delayed a year (exceptions are for new or affiliated programs).

With regard to the examples in your letter concerning the effect on the IME adjustment of a teaching program increasing its dental and podiatry positions, we have the following two comments:

- In the last sentence of the second paragraph of Example 1, we note that the cap on the number of allopathic and osteopathic residents is effective for discharges on or after October 1, 1997 only for purposes of the IME adjustment. For purposes of direct graduate medical education payments, the cap is effective for the first cost reporting period beginning after October 1, 1997.
- There is no FTE cap beyond that applied to the number of allopathic and osteopathic residents. Therefore, in the last paragraph of Example 1, after applying the cap on allopathic and osteopathic residents and calculating the rolling average FTE amount including the additional dental and podiatry residents, it is incorrect to state that "the number of total FTEs cannot exceed the 80 from the prior year." The resident-to-bed ratio cap effectively limits the ratio to not exceed its value during the prior cost reporting period, irrespective of changes in either the numerator or the denominator. This comment applies as well for Examples 2, and 3.

Page 2 - Laura Loeb

In addition to our comments here, we will be publishing a final rule in the Federal Register that responds to the comments we received on the August 29, 1997 final rule with comment period. Many of these FTE count and ratio cap issues will be discussed in greater detail in that document. If you have questions regarding our responses here, please call Steve Phillips of my staff at 410/786-4548.

Sincerely,



for Barbara O. Wynn

Director

Plan and Provider Purchasing Policy Group
Center for Health Plans and Providers