



Administrator
Washington, DC 20201

June 30, 2023

The Honorable Charles E. Grassley
Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Senator Grassley:

Thank you for your letter regarding the Centers for Medicare & Medicaid Services' (CMS) policy for distributing graduate medical education (GME) residency slots as provided in section 126 of the Consolidated Appropriations Act (CAA), 2021 (Pub. L. 116-260). The training and retention of physicians are both critical to ensuring access to health care in underserved communities that historically have experienced workforce challenges, and I appreciate your interest in this issue.

Section 126 of division CC, of the CAA, 2021 requires the distribution of an additional 1,000 Medicare-funded medical residency positions to train physicians. Section 126 requires that to receive additional full-time equivalent (FTE) resident cap slots a hospital must qualify in at least one of the following four categories: (1) hospitals in rural areas (or treated as being located in a rural area under the law), (2) hospitals training a number of residents in excess of their GME cap, (3) hospitals in states with new medical schools or branch campuses, and (4) hospitals that serve areas designated as health professional shortage areas (HPSAs). Additionally, section 126 requires that at least 10 percent of the cap slots go to hospitals in each of the four categories, and that no single hospital can receive more than 25 FTE resident cap slots.

On January 9, 2023, CMS awarded the first round of 200 residency positions to 100 teaching hospitals across 30 states, the District of Columbia, and Puerto Rico, and they will be effective July 1, 2023. The application period for the second round of 200 residency positions opened in January 2023 and closed on March 31, 2023.

In your letter, you requested information on how CMS has met the residency slot requirement for rural and underserved communities in the recent distribution of 200 residency slots and what efforts the agency is taking to ensure rural hospitals are competing for the residency slots that will be awarded in future years. In the first round, eight geographically rural hospitals applied for residency slots, and five were granted slots. Geographically rural hospitals received 12.34 Direct Graduate Medical Education (DGME) slots and 11.40 Indirect Medical Education (IME) slots. CMS intends to meet the 10 percent rural hospital distribution threshold in the overall distribution of 1,000 slots. Note that the statute requires that this threshold include geographically urban hospitals that have reclassified as rural. Under round one, 35 reclassified hospitals received 80.79 DGME slots and 68.52 IME slots.

Of the three geographically rural hospitals that applied in the first round of awards but were not awarded residency slots, two had HPSA scores below the cutoff for DGME and IME awards. One hospital had a HPSA score of eight, the other a HPSA score of four. In round one all eligible hospitals with HPSA scores of 14 and higher received DGME slots and all eligible hospitals with HPSA scores of 12 and higher received IME slots. The third geographically rural hospital did not receive slots because it began expanding the program for which it applied before July 1, 2023, the initial effective date of section 126 awards.

CMS has worked in conjunction with the Health Resources and Services Administrations' (HRSA) Office of Rural Health Policy to educate potential applicants about the section 126 application process. On February 13, 2023, CMS participated with HRSA and the Rural Residency Planning and Development – Technical Assistance Center in a webinar aimed at educating potential rural applicants about the section 126 application process. CMS has also participated in the rural health and hospital open door forums and is committed to providing timely and accessible responses to anyone who submits a question through our section 126 email inbox at CAA126application@cms.hhs.gov. In addition, background information regarding the section 126 application process and frequently asked questions are posted on CMS's DGME website. The DGME website also provides instructions on how to submit a question directly to CMS using the Medicare Electronic Application Request Information System™.

You requested information regarding how many additional residents have gained experience working in rural hospitals since the CAA, 2021 was signed into law. The final regulations for section 127 of the CAA, 2021, "Promoting Rural Hospital GME Funding Opportunity," were promulgated in the December 27, 2021, *Federal Register* (86 FR 73445). In general, it takes approximately five years for a program to ramp up and it is too soon for meaningful data to be available for this initiative.

Thank you again for your letter. I welcome your feedback and appreciate your interest in this important issue as we work toward the goal of strengthening the Medicare program for all its beneficiaries. If you have any further thoughts or questions, please have your staff contact the CMS Office of Legislation.

Sincerely,

A handwritten signature in blue ink that reads "Chiquita Brooks-LaSure". The signature is written in a cursive, flowing style.

Chiquita Brooks-LaSure