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When Congress first established limits on Medicare payments for graduate medical education (GME) in the Balanced Budget Act of 1997, the resident limits or "caps" on Medicare-funded training positions applied equally to all hospitals paid under the inpatient prospective payment system (IPPS). In section 407 of the Balanced Budget Refinement Act of 1999, Congress took a second look at these limits and created additional opportunities for rural hospitals to grow their residency programs. In an attempt to incentivize the growth of physician training in rural areas, Congress both increased the GME caps by 30 percent for hospitals located in rural areas and created the **rural training track program**.

Thus, rural hospitals enjoy some important GME benefits that are unavailable to urban hospitals. In addition to the 30 percent increase in rural hospitals' historic GME caps, mentioned above, rural hospitals (unlike urban hospitals) are not limited as to the number of Medicare-funded new programs they can add. Under Medicare regulations, a rural hospital's caps may be increased any time the hospital begins a truly new GME program (as opposed to merely expanding an existing program).

Interestingly, according to the Centers for Medicare & Medicaid Services (CMS), an urban hospital that reclassifies as rural under section 1886(d)(8)(E) of the Social Security Act will accrue these same GME benefits enjoyed by hospitals that are geographically rural, with two important caveats. First, the 30 percent cap increase and the ability to expand cap positions for new programs only apply to the reclassified hospital's indirect medical education (IME) payments and not to direct GME payments. Second, to retain both of these benefits, CMS has stated that the reclassified hospital must remain rural for a period of 10 years. In other words, if the hospital rescinds its geographic reclassification before the 10-year period is over, it will forfeit any of the adjustments to its IME resident cap that it received as a result of its rural status.

The Dentons team listed here can help you navigate the implications a hospital's rural status may have on its GME reimbursement opportunities. We are also happy to guide you through the regulations related to CMS's rural training track rules and regulations.