

GRADUATE MEDICAL EDUCATION (GME) PROGRAM GUIDE

AUGUST 1, 2025

South Carolina Department of Health and Human Services

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South Carolina Graduate Medical Education Program

Program Overview

This program provides per-resident full-time equivalent (FTE) funding to support graduate medical education (GME) costs using a standardized statewide methodology. It aims to ensure equitable distribution of funds across hospitals while maintaining a sustainable approach for long-term Medicaid workforce development.

Benefits of the Change

- **Enhances Program Transparency:** Enables the agency to assess the current workforce, accurately forecast future needs and ensure clear visibility into funding allocations, which allows for more effective planning and targeted solutions to address workforce gaps.
- **Encourages Growth in GME:** Supports hospitals in expanding residency programs by providing a consistent and predictable funding source.
- **Shifts Focus to Education:** Prioritizes training and educational value over patient volume or service intensity.
- **Strengthens Support for Smaller and Rural Hospitals:** Creates a more equitable funding structure that enables participation regardless of hospital size or location.
- **Reduces Funding Disparities:** Helps close historical gaps in GME funding by using a standardized per-resident approach.
- **Simplifies Program Administration:** Reduces complexity by moving away from variable, claim-based GME reimbursement models.

Funding Methodology & Timing of Payments

Hospital funding allocations are determined using historical Medicaid GME payment trends and resident FTE counts reported in Medicare cost reports. A standardized per-resident amount has been established to ensure equitable distribution of funds across hospitals.

Grandfathered Hospitals

Each hospital's allocation is calculated by multiplying its reported FTEs by this per-resident rate. Payments are issued **quarterly** in equal installments through a lump sum payment.

- The number of FTE residents is determined based on data submitted in each hospital's Medicare cost report, as of Sept. 30, 2023.
- This amount is based on the total of 1,721.51 reported resident FTEs statewide on the cost reports and the three-year average of historical Medicaid GME payments totaling approximately \$153.8 million. A statewide per-resident amount will be established to distribute funds equitably across hospitals.

GME Program Funding Pathways

As part of the new methodology for the GME program, hospitals may qualify for per-resident funding through one of two pathways:

1. Hospitals Currently Funded Through SCDHHS For GME

Hospitals currently participating in the South Carolina Department of Health and Human Services (SCDHHS) GME program will receive a per-resident amount for each FTE resident reported on their Sept. 30, 2023, cost report. This funding applies to all reported residents, regardless of specialty.

2. Hospitals Not Currently Funded through SCDHHS For GME

Hospitals not currently in the SCDHHS GME program may also be eligible for funding if they reported resident FTEs on their Sept. 30, 2023, cost report. For this group, funding is limited to residents whose specialties fall within the top five areas of greatest need:

- Obstetrics/gynecology (OB/GYN)
- Family medicine
- Pediatrics
- Internal medicine
- Psychiatry

Hospitals identified as potentially eligible have been contacted directly via email and received the required documents. To be considered for funding, these hospitals must complete and submit the required documents to SCDHHS by **Aug. 8, 2025**, via email to GME@SCDHHS.gov.

Claims Adjudication Process and Transition to New Methodology

Effective Oct. 1, 2025, the following changes will apply to the claims adjudication process for GME funding:

Services prior to Oct. 1, 2025

- For all outpatient and inpatient fee-for-service (FFS) claims with a date of service that begins prior to Oct. 1, 2025, the claims adjudication process currently in place will continue. GME components will remain included in the claim level reimbursement as they have been historically.
 - For example, for inpatient stays with an admission date prior to Oct. 1, 2025, GME reimbursement will continue through claims adjudication for the full length of stay. For stays with an admission date on or after Oct. 1, 2025, the updated payment methodology will apply.
- Inpatient managed care organization (MCO) claims: Since these claims are reconciled post-claim level payment, SCDHHS will maintain this reconciliation process for up to one year (until Sept. 30, 2026) to ensure proper reimbursement for all GME components.

Services on or after Oct. 1, 2025

The per-resident amount reflects a comprehensive and streamlined approach to GME funding. It incorporates key components previously embedded in other payment structures, including the Direct Medical Education (DME) portion of the outpatient multiplier and both the DME and Indirect Medical Education (IME) add-ons from the inpatient discharge rate, ensuring a more transparent and predictable funding model.

- The outpatient multiplier will be adjusted to remove the DME component, if applicable.
- The DME and IME add-ons in the inpatient FFS payment model will be removed, if applicable.

Impacted hospitals will receive notification of their updated inpatient discharge rate and outpatient multiplier.

Reconciliation of Inpatient Encounter Claims: The reconciliation of inpatient encounter claims will cease for claims with a service date of Oct. 1, 2025, and onward. Hospitals should ensure claims are timely submitted for payment so SCDHHS can confirm accurate reimbursement under the new methodology.

Annual Review Process

To ensure funding remains accurate, SCDHHS will review resident FTE counts and GME payment amounts annually.

- **Per-resident Amount Review:** The statewide per-resident amount will remain in place unless a significant change in the underlying calculation warrants an adjustment. SCDHHS will review this value annually.
- **Allocation Timeline:** Hospital-specific funding allocations will be recalculated and finalized in the spring of each year, based on the resident FTE counts and the most recent per-resident amount.
- **Funding Pool Adjustments:** If additional program funding becomes available, SCDHHS may choose to increase the overall funding pool. Any additional dollars may be used to increase the statewide per-resident amount.

Notification of Allocations: Hospitals will be notified of their updated allocation in the fall of each year.



Optional Public Hospital Graduate Medical Education Program

Program Overview

This voluntary program offers public hospitals an opportunity to further support the cost of GME in South Carolina. It offers flexibility for public hospitals to sustain training opportunities while managing reimbursement changes.

Program Eligibility

- Only public hospitals are eligible.
- Public hospitals must voluntarily opt in and agree to provide an intergovernmental transfer (IGT).
 - IGTs are capped using the hospital's previous three-year historical payment average, less than the per-resident allocation.

Annual Review Process

To maintain alignment with annual changes in the South Carolina GME program, the Optional Public Hospital GME program will also be reviewed annually. This ensures the IGT requirement reflects the most current number of eligible resident FTEs.

- **FTE Updates:** The required IGT will be adjusted based on any increase or decrease in resident FTEs.
- **Per-resident Amount:** The statewide per-resident amount will remain the same unless a significant change justifies an update, as determined by SCDHHS. This figure will be reviewed annually.
- **Notification of Updated IGT Requirement:** Participating public hospitals will receive updated IGT requirements in the fall of each year.

Physician Residency Incentive Program

Program Overview

The Physician Residency Incentive Program is designed to increase the number of physicians trained in high-need specialties, with a particular focus on improving access to care for the Medicaid population and underserved communities through residency training. The program provides financial incentives to eligible hospitals that expand their residency training capacity in strategically selected specialties facing the most significant workforce shortages. This targeted approach aims to strengthen the state's healthcare infrastructure and ensure long-term sustainability of care delivery.

Eligible Specialties

To effectively address projected physician workforce shortages by 2035, the top five high-need specialties have been prioritized for incentive funding. Caps have been established for the number of physicians supported in each specialty, and funding levels have been aligned with the severity of the projected shortfall and the specialty's importance to the Medicaid population. This focused investment ensures resources are deployed where they will have the greatest impact.

Specialty	Incentive Funding Per-Resident FTE
OB/GYN	\$150,000
Family Medicine	\$125,000
Pediatrics	\$125,000
Psychiatry	\$100,000
Internal Medicine	\$90,000

Source: Physician Workforce Assessment and Medicaid Provider Network Analysis, Table 16, and hospital input.

Note: Incentive payments are available for a minimum of two years of the residency program. Afterward, SCDHHS will pay the standard per-resident rate.

Funding Schedule

- Incentive payments are awarded **annually** following submission and approval of a hospital's application.
- Payments are issued within 90 days of the start of the training year, no later than Dec. 31 each year.

A new application must be submitted each program year to receive funding.

Incentive funding is awarded through a formal application process. SCDHHS may request additional documentation to verify program classification. SCDHHS reserves the right to deny applications based on the availability of funds.

Resident Attrition Policy

In the event a resident leaves the training program prior to the completion of a full training year:

- The hospital must notify SCDHHS within 30 business days of the resident's departure.
- The incentive payment will be prorated based on the number of full months the resident participated in the program.
- SCDHHS will recover any overpayments resulting from the resident's early exit.

Hospital-specific Allocations

Each hospital will receive a unique allocation email outlining the total allocation amount based on the FTEs they have attested to.

Physician Residency Incentive Program Review

To ensure the incentive program remains responsive to evolving healthcare needs, SCDHHS will conduct periodic workforce studies. These studies will help guide which specialties qualify for incentive funding based on current and projected physician shortages, particularly in areas serving Medicaid beneficiaries.

Key components of the workforce study may include:

- Assessment of statewide and regional physician shortages.
- Review of Medicaid utilization patterns and access gaps.
- Analysis of GME program capacity and expansion potential.
- Stakeholder input, including hospitals, medical schools and professional associations.
- Recommendations for updating priority specialties eligible for incentive funding.

Contact Information

For questions or to submit completed applications, please contact GME@scdhhs.gov.