DISBURSEMENT AGREEMENT PROCEDURES FOR PHYSICIAN AND DENTIST RESIDENTS

1. REASON FOR ISSUE: This Veterans Health Administration (VHA) Handbook delineates procedures relating to the establishment and administration of disbursement agreements for payment of stipends and fringe benefits for allopathic or osteopathic physician and dentist residents in accredited training programs in Department of Veterans Affairs (VA) facilities.

2. SUMMARY OF MAJOR CHANGES:

a. Amendment dated September 29, 2020, removes the local policy mandate for VA medical facility Directors. VA medical facilities must have a local standard operating procedure instead, defining the procedures for resident activity record keeping. The sample SOP can be found on VHA OAA intranet website (see paragraph 11.b.(4)(a) located at: https://dvagov.sharepoint.com/sites/VHAOAA/public/SitePages/EARs--Educational-Activity-Records-(Resident-Tracking)(1).aspx. ***NOTE:*** *This is an internal website that is not available to the public.*

b. This Handbook has been rewritten with specific emphasis on:

(1) Policies relating to establishment of a resident's approved post-graduate year (PGY) level, which is used for determining the per annum rate of pay.

(2) Clarification of when housing allowance may be considered for reimbursement under a disbursement agreement.

(3) Clarification of when call coverage is reimbursable under a disbursement agreement.

(4) Establishing limits on the amount of pay differential to post-training Chief Residents and the conditions for approving such positions and pay schedules.

(5) Additional detail on Needs and Excess reporting.

c. Information in the appendices (Disbursement Agreement templates and sample Disbursement Rate Schedule) was moved to the Office of Academic Affiliations Web site at the following links: http://www.va.gov/oaa/docs/da_payment_in_advance.doc, http://www.va.gov/oaa/docs/da_payment_in_arrears.doc, and http://www.va.gov/oaa/docs/ratescheduletemplate.xls.

3. RELATED ISSUES: VA Handbooks 5005, 5007, and 5011.

4. RESPONSIBLE OFFICE: The Chief Academic Affiliations Officer (10X1) is responsible for the contents of this Handbook. Questions may be referred to 202-461-9490.

5. RESCISSIONS: VHA Handbook 1400.05, dated September 19, 2008, is rescinded.

6. RECERTIFICATION: This VHA Handbook is scheduled for recertification on or before the last working day of August 2020.

David J. Shulkin, M.D.
Under Secretary for Health

DISTRIBUTION: Emailed to the VHA Publications Distribution List on 8/18/2015.

CONTENTS

DISBURSEMENT AGREEMENT PROCEDURES FOR PHYSICIAN AND DENTIST RESIDENTS

1. PURPOSE: 1

2. BACKGROUND: 1

3. SCOPE: 1

4. DEFINITIONS: 2

5. APPOINTMENT PROCEDURES AND RECORDS: 7

6. PLANNING FOR VA-FUNDED RESIDENT POSITIONS: 9

7. RESPONSIBILITIES: 9

8. PROCESS FOR THE ESTABLISHMENT OF NEW DISBURSEMENT AGREEMENTS: 13

9. ESTABLISHMENT OF STIPEND AND FRINGE BENEFIT RATES WITH SUPPORTING DOCUMENTATION: 14

10. ACTIVITIES ELIGIBLE FOR VA REIMBURSEMENT UNDER A DISBURSEMENT AGREEMENT: 17

11. VA FACILITY ADMINISTRATION OF DISBURSEMENT AGREEMENTS: 23

12. PROCESS FOR RATE CHANGES: 28

13. REFERENCES: 29

DISBURSEMENT AGREEMENT PROCEDURES FOR PHYSICIAN AND DENTIST RESIDENTS

1. PURPOSE: This Veterans Health Administration (VHA) Handbook delineates procedures relating to the establishment and administration of disbursement agreements for payment of stipends and fringe benefits for allopathic or osteopathic physician and dentist residents in accredited training programs in Department of Veterans Affairs (VA) medical facilities. **AUTHORITY:** 38 U.S.C. 7302 and 7406(c).

2. BACKGROUND:

a. The Veterans Health Care Expansion Act, Public Law 93-82, passed in 1973, authorized VA to enter into agreements with affiliated academic institutions for the central administration of resident salaries and benefits. The law specifies that VA may only reimburse an affiliate to cover the cost for the period that a resident serves in a VA medical facility. VA does not pay an affiliate's general administrative costs through a disbursement agreement. Since the early 1990s, disbursement agreements have been the predominant and preferred means of paying resident stipends and fringe benefits (see VA Handbook 5007, Part II, Appendix E).

b. A disbursement agreement is a payroll mechanism by which VA allows a "disbursing agent" to centrally administer salary payments and fringe benefits for medical and dental residents assigned to a VA medical facility. The "disbursing agent" may be the sponsoring institution for the residency training programs itself or an entity delegated by the sponsoring institution(s) to handle stipend and benefit disbursements (e.g., a graduate medical education consortium). Disbursement agreements cover residents' training in VA locations whether inpatient or outpatient and provide a mechanism to achieve equity between resident salaries and benefits provided by the affiliated, sponsoring institution(s) and those provided by VA.

3. SCOPE:

a. Providing care for Veterans, while at the same time educating tomorrow's health care providers, are statutory missions of VA, which has the responsibility to oversee and manage clinical training in VA medical facilities (see Title 38 United States Code (U.S.C.) 7302). VA strongly promotes a policy of cooperation and professional interaction with the nation's academic community, which is based on the premise that the best health care is provided in an environment of learning and inquiry.

b. Every year, VA funds approximately 10,300 physician and 360 dental resident positions. The general philosophy underlying this policy is that VA expects to fund only the stipends and benefits of residents assigned to VA. Except for VA-approved Advanced Fellowships and Chief Residencies, all residency training programs must be accredited by a nationally recognized accrediting body. Only positions funded using trainee stipend funds from the Office of Academic Affiliations (OAA) may be supported at the facility level; individual VA medical facilities and Veterans Integrated Service

Networks (VISNs) may neither fund resident positions using station medical care funds, nor fund resident positions through a contract mechanism with affiliates.

4. DEFINITIONS:

a. **Accreditation.** Accreditation is a status of public recognition that an accrediting agency grants to an educational institution or program that meets the agency's established standards and requirements. Accreditation represents a professional opinion about the quality of an educational program. VA will accept trainees only when the sponsoring institution and the educational program are accredited.

(1) **Accrediting Agencies for Physician Education.** The accrediting agencies for physician education recognized by VA for undergraduate medical education are the Liaison Committee on Medical Education (LCME) for allopathic medical schools and the American Osteopathic Association (AOA) Commission on Osteopathic College Accreditation (COCA) for osteopathic medical schools. Medical postgraduate training is accredited by the Accreditation Council for Graduate Medical Education (ACGME). The AOA, through its Program and Trainee Review Committee (PTRC) and the Council of Postdoctoral Training (COPT), approves osteopathic postdoctoral training programs.

(2) **Accrediting Agency for Dental Education.** The accrediting agency for dental education is the Commission on Dental Accreditation (CODA), which is the national accreditation entity for undergraduate and graduate dental education.

b. **Affiliation.** An affiliation is the relationship between VA and an educational institution or other health care facility for the purposes of education, research, and enhanced patient care. VA and the affiliated training program sponsors have a shared responsibility for the educational enterprise.

c. **Affiliation Agreement.** An affiliation agreement is the required document that enables an affiliation relationship with a sponsoring institution, which ensures compliance with accrediting body institutional requirements. ***NOTE:*** *Standard templates for affiliation agreements, approved by VA Office of General Counsel (OGC), may be found at http://www.va.gov/oaa/agreements.asp.*

d. **Disbursement Agreement.** A disbursement agreement is a payroll mechanism by which VA allows a "disbursing agent" to centrally administer salary payments and fringe benefits for physician and dental residents assigned to a VA medical facility.

e. **Disbursing Agent.** The disbursing agent is the entity that pays the residents' stipends and fringe benefits as an agent of VA. VA reimburses the disbursing agent for resident stipends and benefits under a disbursement agreement for educational activities performed by residents assigned to VA. ***NOTE:*** *In many instances, the "sponsoring institution" and the "disbursing agent" are the same entity. However, there are exceptions to this general rule. For example, a medical school may be the sponsor of the GME programs, but the major teaching hospital of the medical school is the disbursing agent.*

f. **Associate Chief of Staff for Education.** The Associate Chief of Staff (ACOS) for Education is the designated facility education leader with expertise in health professions education, especially graduate medical education (GME). ***NOTE:*** *ACOS for Education is the preferred organizational title for individuals assigned the responsibilities Designated Education Officer (DEO) role (see paragraph 4j).*

g. **Facility Chief of Staff.** The facility Chief of Staff is the local management official responsible for establishing, maintaining and evaluating the quality of clinical training programs at a VA medical facility. The ACOS for Education (or similar education leader) assists the Chief of Staff in fulfilling these requirements.

h. **Chief Resident.** The Chief Resident is an individual who is considered senior in the training program and who may or may not be a licensed independent practitioner. Chief Residents are designated by the Residency Program Director and may assume advanced administrative responsibilities necessary for the operation of the residency program. Chief Residents fall into one of two categories:

(1) **Chief Resident – In Training.** A Chief Resident – In Training is a Chief Resident who is currently enrolled in an accredited residency program, but who has not completed the full academic program leading to board eligibility. These Chief Residents are not independent practitioners and cannot be privileged to work in the discipline for which they are being trained. ***NOTE:*** *This model is common in surgery programs.*

(2) **Chief Resident – Post Training.** A Chief Resident – Post Training is a Chief Resident who has completed an accredited residency program, but is engaged in an additional, non-accredited year of training and responsibility. These Chief Residents have completed their primary training for board eligibility or are board certified and may be privileged in the discipline of their completed specialty-training program. These Chief Residents are frequently licensed independent practitioners. ***NOTE:*** *This model is common in internal medicine programs.*

i. **Continuity Clinics.** Continuity clinics provide comprehensive patient care, including health maintenance and chronic disease management, by way of a patient's long-term relationship with a particular practitioner or practice group. Participation in continuity clinics is a required educational experience for physician residents in some programs.

j. **Designated Education Officer.** The Designated Education Officer (DEO) is the single, designated VA employee who has oversight responsibility for all health professions training at a VA medical facility. ***NOTE:*** *The DEO describes a functional assignment and not an organizational title. Each VA medical facility with residency programs must appoint a DEO to coordinate local health professions education activities, including GME.*

(1) Together with the VA Chief of Staff, the DEO has responsibility for the management of all clinical training program affiliations. The preferred organizational

title for this education leader is ACOS for Education, but other titles such as Director of Education or Chief Education Service Line, may be used.

(2) All VA medical facilities that either sponsor or participate in accredited graduate training programs in medicine (allopathic or osteopathic) or dentistry must have a single, appropriately qualified VA employee who is identified as having overall oversight of trainee education, i.e., the DEO.

(3) The DEO is an education leader (often titled as ACOS for Education) who serves in a capacity at VA similar to that of the Designated Institutional Official (DIO) at the sponsoring institution. The DIO has the authority and responsibility for the administration and oversight of all accredited training programs at the sponsoring institution, and for ensuring compliance with the accrediting body's institutional requirements.

k. **Designated Institutional Official.** The Designated Institutional Official (DIO) is an individual employed by the sponsoring entity who has the authority and responsibility for the oversight and administration of all accredited training programs at the sponsoring institution, and ensures compliance with accrediting body institutional requirements, and for the oversight and administration of trainees in discipline-specific programs. The ACGME requires that each institution sponsoring ACGME-accredited programs have an individual appointed as the DIO who is responsible for ensuring compliance with ACGME institutional requirements. For affiliated institutions with osteopathic training programs, the comparable individual is called the "Director of Medical Education." ***NOTE:*** *A VA medical facility that sponsors ACGME-accredited programs independently must have its own DIO, even though the responsibilities and functions overlap with those described for the DEO.*

l. **Didactic Sessions.** Didactic sessions are formal, structured educational meetings for the exchange of medical or dental information. Didactic sessions include lectures, seminars, conferences and "grand rounds," but not clinical assignments. For the purpose of this Handbook, didactic sessions do not include classes taken for credit towards a degree program.

m. **Educational Activities.** For purposes of this Handbook, educational activities include all activities in which trainees participate in order to meet educational goals or curriculum requirements. These activities may include:

(1) Inpatient and outpatient clinical duties, including continuity clinics, extended care, home health and telehealth experiences;

(2) Didactic sessions;

(3) Research;

(4) Literature searches;

(5) Assigned independent study;

(6) Attendance at committee meetings (e.g., quality improvement or pharmacy committees);

(7) Participation in root cause analysis teams;

(8) Scholarly activities undertaken as part of an accredited training program; and

(9) Approved educational details.

n. **Educational Detail.** An educational detail is an authorized training experience at a non-VA, non-sponsoring institution or participating site, including experience at a VA or other Federal site different from the VA medical facility where the majority of the resident's training occurs.

o. **Needs and Excess Report.** A needs and excess report is a quarterly report to the Office of Academic Affiliations by which field facilities report a need for additional funds or an excess of funds in a trainee program.

p. **Participating Institution.** A participating institution is any site to which a resident may rotate for educational experiences. Assignments to participating institutions, including both required and elective rotations, require advance approval by the relevant accrediting body. Generally, designation as a "major" participating site in a 2-year program means that all residents must spend at least 4 months in a single required rotation or a combination of required rotations across both years of the program. In programs of 3 years or longer, all residents must spend at least 6 months in a single required rotation or a combination of required rotations across all years of the program. The term "major participating site" does not apply to sites providing required rotations in one year programs. ***NOTE:*** *The accrediting body may grant exceptions to this formula.*

q. **Educational Program Letter of Agreement or Memorandum of Understanding.** An educational Program Letter of Agreement (PLA) or Memorandum of Understanding (MOU) is a required document drafted jointly by VA and a specific educational program, or healthcare facility that provides a trainee with an educational experience.

(1) An educational PLA is required in addition to an Affiliation Agreement and may not substitute for an affiliation agreement. These documents need to conform to the standards of the appropriate accrediting body. They must:

(a) Identify the faculty who will ensure teaching, supervision, and evaluation of trainee performance including duty hours;

(b) Outline trainee educational objectives;

(c) Specify periods of trainee assignment; and

(d) Establish policies and procedures for maintaining trainee education during the assignment.

(2) Neither the Office of Academic Affiliation (OAA) nor the Office of General Counsel needs to approve an educational PLA; however, there must be an affiliation agreement between the parties in place before an educational program letter of agreement (PLA) can be signed.

(3) PLAs cannot conflict with the affiliation agreement, address issues already covered in the agreement, or address other legal issues, such as liability.

(4) PLAs may not cover financial arrangements or payments between the parties or to trainees such as those covered in a disbursement agreement.

r. **Residency or Training Program Director.** The residency or training program director (hereafter referred to as the "Program Director") reports to the sponsoring institution on matters of program accreditation. This individual is responsible for the maintenance, evaluation, and improvement of a particular education and training program across all affiliated sites and may or may not be based at the VA facility. ***NOTE:*** *If based at VA, the Program Director will typically also perform the role of VA Program Site Director (see paragraph 4w), as well as serving as Program Director for the sponsoring institution.*

s. **Residents.** Residents are physician and dentist trainees engaged in post-graduate specialty or subspecialty training programs.

(1) The term "resident" includes individuals in their first post-graduate year (PGY-1) of training, often referred to as "interns," and individuals in subspecialty graduate medical education programs, generally referred to as "fellows" (often PGYs 4 and above, depending upon the specialty).

(2) "Resident" also refers to individuals designated as "house staff." Individuals in non-accredited programs, including VA Advanced Fellows, are not considered residents for the purpose of this policy.

t. **Resident Position.** A resident position is a VA-funded resident training position that corresponds to an annual "full" assignment for specialty or subspecialty, program-specific VA educational activities. A single resident position may be filled by multiple residents. A resident position may also be considered as a "split" assignment, which is tracked according to the percent of VA-assigned educational activities. A "position" is not defined by a certain number of hours.

u. **Scholarly Activities.** Scholarly activities include educational experiences that may involve any of the following or similar types of experiences:

(1) Active participation in clinical discussions, rounds, and conferences in a manner that promotes a spirit of inquiry and scholarship;

(2) Active participation in journal clubs, research conferences, regional or national professional and scientific societies, particularly through presentations at the organizations' meetings and publications in their journals;

(3) Participation in research, primarily, but not necessarily, in projects that are funded by a competitive peer review process or result in publications or presentations at regional and national scientific meetings; and

(4) Offerings that provide guidance and technical support, e.g., research design, statistical analysis, for residents involved in research. ***NOTE:*** *This definition is modified from the ACGME. Additional or more specific scholarly activities may be delineated in program requirements set by other accrediting or certifying bodies.*

v. **Sponsoring Institution.** A sponsoring institution is an organization or entity that assumes the legal responsibility for trainees enrolled in VA educational experiences. The sponsoring institution is the entity in whose name affiliated programs are accredited and with whom VA must have an affiliation agreement to permit clinical training at VA.

w. **VA Residency Program Site Director.** The VA Residency Program Site Director is the individual responsible for developing and implementing the specialty-specific training program at VA, hereafter, referred to as the "VA Site Director." The VA Site Director must ensure that core curricular objectives are met and that educational activities are appropriate and have been completed as assigned. The VA Site Director must be in the same discipline as that of the trainees, must be closely involved in resident training, and must be appointed with the approval of the Program Director.

5. APPOINTMENT PROCEDURES AND RECORDS:

a. **Appointment.** Medical and dental residents paid through a disbursement agreement must be given a without compensation (WOC) VA appointment (see VA Handbook 5005, Part II, Chapter 3, Section H). Stipends of residents who are paid full-time by another Federal agency (e.g., Department of Defense or National Institutes of Health) may not be reimbursed by VA under a disbursement agreement, and these residents must be given WOC appointments. Other types of unpaid trainees must also be given a WOC appointment.

b. **Post-Graduate Year.** Post-graduate year (PGY) levels of training are designated for purposes of determining the per annum rate of pay. PGY levels may be used for local determination of graduated levels of responsibility and supervision requirements as described in VHA Handbook 1400.01, Resident Supervision. The PGY-level of training to which each appointed resident will be assigned will be determined by a review of the following considerations:

(1) The number of years of specialty board training required for board certification in a given specialty training program.

(2) The number of applicable years already completed by the resident in the particular specialty training program.

(3) The number of training years accredited by the appropriate accrediting body.

(4) Training in unrelated specialties does not apply, except as allowed by the specialty in which training is sought. ***NOTE:*** *For example, a resident who completed 3 years in an internal medicine residency and is changing to a diagnostic radiology training program would be given 1 year's credit and appointed at a PGY-2 level, since radiology now requires 1 year of general medical clinical training. The other 2 years of internal medicine training would not be counted towards the PGY-level in diagnostic radiology training.*

(5) Training in designated combined programs (e.g., Internal Medicine/Emergency Medicine) will be for the number of years approved by the accrediting body.

(6) In situations where all or part of a physician resident's prior training has been in a program outside the U.S. or its territories, the following conditions apply:

(a) Credit may be given for graduate medical education in Canada to the extent that it meets specific U.S. board requirements. Training must have been completed in programs accredited by the Royal College of Physicians and Surgeons of Canada, or in institutions affiliated with medical schools approved by the LCME. ***NOTE:*** *The requirements of various specialty boards differ and it is advisable to check on the specific requirements with the applicable specialty board.*

(b) No credit will be given for training in programs outside the U.S. and its territories or Canada in non-ACGME or non-AOA accredited programs unless the applicant obtains a written statement from the appropriate specialty board indicating how much credit the resident will be granted towards requirements to apply for board certification. Such inquiry will be made in writing by the applicant and not by another official acting on the applicant's behalf. Prior to appointment, a copy of the specialty board's reply will be forwarded to the VA facility for determination of the PGY-level of appointment for that resident. Payroll adjustments based on board letters that grant credit for prior training can be made retroactively only during the first year of VA training. ***NOTE:*** *Some boards allow for consideration of increasing an International Medical Graduate's (IMG's) PGY by 1 year based upon prior training in the specialty and only upon application by the Program Director. Such increases are allowed only after a minimum observation period after appointment. Generally, the extra credit is given only at the time of application to take the board certification examination.*

1. In situations where all or part of a physician resident's prior training has been in a program within the U.S. or its territories or Canada that is non-ACGME or non-AOA accredited, the resident may seek a letter from the specialty board to determine how much credit will be granted towards board certification requirements.

2. One year of PGY credit may be granted at the discretion of the local VA facility for service as a Chief Resident, provided the chief residency year was completed following satisfaction of the primary specialty board requirements and in the context of an ACGME or AOA accredited training program.

(7) Interruptions of training. Leaves of absence will not be counted towards the PGY determination. Residents will be given credit for ACGME, AOA, or CODA accredited training based upon the determination of the U.S. specialty board.

(8) Additional years of non-accredited training (e.g., for research experience if not board required) will NOT be counted towards the PGY determination.

(9) One year of credit may be granted for a Chief Resident, non-accredited year, if that is the practice at the affiliate.

6. PLANNING FOR VA-FUNDED RESIDENT POSITIONS:

a. **Determination of the Number of Resident Positions.** Prior to the beginning of the allocation cycle (e.g., September or earlier) the VA DEO will conduct an appraisal of educational activities to determine the number and distribution of VA resident positions within the facility's assigned base allocation. The accuracy of this assessment is essential to the proper funding of the GME program. The DEO performs an analysis of VA clinical educational activities and opportunities, the available educational infrastructure (including appropriately-qualified supervising practitioners), and the objectives of each affiliated residency training program. The assessment includes consultation with relevant residency Program Directors at the sponsoring institution, VA Site Directors and VA service or section chiefs. This assessment must be discussed with and have the approval of the DIO at the sponsoring institution and the VA Chief of Staff. Increases or decreases in the base resident position allocation may be requested in accordance with OAA procedures.

b. **Review of VA Educational Activity Assignments.** VA resident assignments must meet all institutional and programmatic accrediting body standards, as determined by the ACGME, AOA or Council on Dental Accreditation (CODA). The Program Director must account for the VA component of the training program and the satisfactory completion of required educational activities by residents assigned to VA. Usage of annual leave (which may be called 'vacation days' by the sponsoring institution) and provision for on-call coverage must be considered when planning for resident assignments within allocated positions. ***NOTE:*** *The schedule of assigned activities may vary considerably from program to program and must be consistent with the educational and training objectives and program requirements.*

7. RESPONSIBILITIES:

a. **Chief Academic Affiliations Officer.** The Chief Academic Affiliations Officer is the VHA official responsible for establishing relevant policy with respect to disbursement agreements, and has the delegated authority to approve new disbursement agreements and annual rate changes. OAA is responsible for the orientation and training of DEOs with respect to the requirements of this Handbook.

b. **Medical Facility Director.** The medical facility Director is responsible for:

(1) Ensuring that local procedures, including assignment of auditing responsibility, are in place to fulfill requirements of this Handbook; this includes having a local standard operating procedures (SOP) defining the procedures for resident activity record keeping that includes assignment of record keeping duties to appropriate staff. A sample of a local educational activity records SOP is located on the VHA OAA intranet website at: https://dvagov.sharepoint.com/sites/VHAOAA/public/SitePages/EARs--Educational-Activity-Records-(Resident-Tracking)(1).aspx. ***NOTE:*** *This is an internal website that is not available to the public.* .

(2) Appointing the facility DEO.

(3) Ensuring that the office conducting the reconciliation of invoices submitted under a disbursement agreement has sufficient resources, including knowledgeable supervision, to accomplish this task.

(4) Appointing an independent review team to conduct periodic assessments or facility-level self-assessments of disbursement agreements, who must not be directly involved in the management or routine monitoring of disbursement agreements.

c. **Facility Chief of Staff.** The facility Chief of Staff is responsible for:

(1) Oversight of all VA graduate medical and dental training programs; and

(2) Serving as, or supervising, the DEO.

d. **Designated Education Officer.** The Designated Education Officer (DEO) has general oversight of all trainees, including graduate medical and dental education trainees, at the VA medical facility (or consolidated facilities). DEO oversight responsibilities include:

(1) Serving as the VA point of contact for all issues and trainees, including graduate medical and dental trainees.

(2) Ensuring that affiliation agreements and PLAs or MOUs are in place for all sponsoring institutions.

(3) Ensuring that PLAs or MOUs are in place for all accredited programs.

(4) Exercising oversight of all disbursement agreements, including the following key responsibilities:

(a) Initiating the planning process to determine the number and distribution of resident positions.

(b) Ensuring that all educational and other activities meet the criteria delineated in this Handbook (see paragraph 10).

(c) Establishing local procedures for:

1. Educational activity record keeping;

2. Monitoring resident participation in assigned educational activities; and

3. Reconciliation of VA educational activity records with invoices submitted by the disbursing agent.

(d) Ensuring initial and annual training of VA staff involved in educational activity record keeping for disbursement agreements.

(e) Obtaining annual rate changes from the disbursing agent and communicating these to appropriate parties, including the facility Chief Fiscal Officer (CFO) and Chief of Human Resources (as determined by local practice), and securing approval of the rate changes from the OAA.

(f) Collaborating with the CFO in the administration of disbursement agreements and related fiscal matters.

(5) Approving educational details and other off-site educational activities, as specified in this Handbook. See paragraph 10e.

(6) Ensuring that all residents have appropriate VA appointments through the Human Resources Service. ***NOTE:*** *Residents paid through a disbursement agreement must have a WOC appointment.*

e. **VHA Chief Fiscal Officer.** The VHA CFO is responsible for ensuring that obligations are set up appropriately and for payments to the disbursing agent according to the terms of the disbursement agreement, and for:

(1) Verifying that the Disbursement Rate Schedule in effect is current (updated at least annually) and has been approved by OAA; and

(2) Ensuring that:

(a) Monthly obligations are estimated on VA Form 1358, Estimated Miscellaneous Obligation or Change in Obligation; ***NOTE:*** *VA Form 1358 is an online Integrated Funds Distribution, Control Point Activity, Accounting, and Procurement (IFCAP) form.*

(b) Obligations are recorded at the beginning of the month, based on the assignment schedule provided by the affiliate;

(c) Monthly and quarterly invoices for payment to affiliated medical school or disbursing agent are submitted to the DEO for review and certification;

(d) Funds obligated on VA Form 1358 are adjusted to agree with the reconciled invoices from the disbursing agent on a quarterly or monthly basis;

(e) Only Trainee Medical Services, and Medical Support and Compliance funds allocated from OAA are used to pay residents under a disbursement agreement. Budget object code (BOC) 2587 is used to report the expenditures for house staff disbursement agreements. These funds must not be used for any other purposes;

(f) There is prompt processing of payments to the disbursing agent in accordance with the terms of the disbursing agreement;

(g) Invoices for payment are processed only after review and certification by the VA DEO. Payment will be made only for the amount certified; and

(h) Quarterly reports regarding "Needs and Excess" funds for trainee stipends and benefits are required to be submitted by the facility Fiscal Service to OAA. This quarterly report requests from OAA additional funding needed or returns to OAA unused excess funding by using the appropriate Needs and Excess Codes. The report is submitted using the online Needs and Excess database located in the OAA Support Center Web Portal (http://vaww.oaa.med.va.gov). Submission of Needs and Excess reports must be submitted on a quarterly basis and not deferred until the fourth quarter of the fiscal year. ***NOTE:*** *This is an internal VA Web site that is not available to the public.*

f. **Residency Program Director (for the Sponsoring Institution).** The Residency Program Director (for the sponsoring institution) is responsible for:

(1) Ensuring the overall quality of the training program and that the program is in compliance with the policies of the appropriate accrediting and certifying bodies.

(2) Programming operations, scheduling, logistics, educational objectives and curriculum development, evaluation methodologies, and relationships with external accrediting agencies and certifying bodies.

(3) Defining the levels of responsibilities for each year of training by preparing a description of the types of clinical activities residents may perform.

(4) Ensuring that PLAs are in place for participating VA training sites.

(5) Maintaining descriptions of all resident educational activities at all participating educational sites, including, but not necessarily limited to:

(a) Hospital and outpatient clinical activities;

(b) Continuity clinics;

(c) Didactic sessions;

(d) Research and scholarly activities;

(e) Required clinical activities at non-VA sites; and

(f) Educational details.

(6) Approving and communicating the residents' schedule of educational activities annually to the VA Site Director and DEO. Monthly schedules by name and PGY-level, as well as any changes or substitutions in these schedules, must be provided to the VA Site Director. Program Directors are also responsible for planning and approving annual leave, sick leave and any other absences.

g. **VA Site Director.** The VA Site Director is responsible for:

(1) Ensuring that trainees are oriented to the training site, including expectations, schedules, relevant policies, and educational activities.

(2) Approving leave (in collaboration with the Program Director) for VA-assigned residents.

(3) Certifying of residents' educational activity records.

(4) Providing certified educational activity records to the DEO.

(5) Communicating regularly with the DEO and the affiliated Program Director regarding changes in resident educational activity schedules.

(6) Conducting, in collaboration with the Program Director, an annual appraisal of educational activities and opportunities related to the VA medical facility's base allocation, and communicating the results to the DEO (see paragraph 11a).

8. PROCESS FOR THE ESTABLISHMENT OF NEW DISBURSEMENT AGREEMENTS:

a. At least 6 months prior to the effective date of a proposed disbursement agreement, a letter is submitted by the VA medical facility director to the Chief Academic Affiliations Officer (10A2D) specifying:

(1) Whether payment to the disbursing agent is advance or in arrears;

(2) A draft disbursement agreement;

(3) A draft Disbursement Rate Schedule; and

(4) An approved affiliation agreement with sponsoring agent (if not previously submitted).

NOTE: *Approved standard formats for disbursement agreements and a rate schedule template are available at:* http://www.va.gov/oaa/docs/da_payment_in_advance.doc, http://www.va.gov/oaa/docs/da_payment_in_arrears.doc, and http://www.va.gov/oaa/docs/ratescheduletemplate.xls. *Any changes to the standard templates may require additional time for approval by OGC.*

b. Estimated stipend and benefit rates are generally the same as those of the sponsoring institution. ***NOTE:*** *See VA Handbook 5005, Part II, Chapter 3, Section H, Appointment of Medical and Dental Residents Under 38 U.S.C. 7406, and VA Handbook 5007, Part II, Appendix E, Compensation of Noncareer Residents Serving Under 38 U.S.C. 7405.*

c. After review and concurrence by OAA, and if necessary VA OGC, the draft disbursement agreement is returned to the facility for any stipulated revisions. An original of the revised disbursement agreement, signed by the VA medical facility Director and the DIO (on behalf of the sponsoring institution) must be submitted to OAA for formal approval. In the event that the disbursing agent is not the sponsoring institution itself, a representative of the disbursing agent must also sign the agreement before submission to OAA.

d. Final signed agreements with approved rates are returned to the facility DEO for distribution to the DIO, the sponsoring institution's disbursing agent, the CFO, and any other appropriate staff involved in the disbursement process.

e. The approved rates become effective only after all parties have signed the agreement and the agreement is approved by the Chief Academic Affiliations Officer.

9. ESTABLISHMENT OF STIPEND AND FRINGE BENEFIT RATES WITH SUPPORTING DOCUMENTATION: Complete and accurate cost documentation is essential for all items requested for reimbursement. Facilities need not submit cost documentation to OAA, however, cost documentation must be available upon request to support the proposed rates**.**

a. **Stipends.** Annual resident stipend and benefit rates must correspond to the annual PGY-specific stipends and benefits awarded by the disbursing agent of the sponsoring institution. These rates must be communicated in writing annually by the disbursing agent to the VA medical facility and by the VA medical facility to OAA for review and approval.

b. **Chief Resident Stipends.** If the affiliate has an established stipend rate for Chief Residents or "Chief Resident differential," this special rate must be communicated in writing to the VA medical facility. The Office of Academic Affiliations may approve a Chief Resident differential not to exceed 25 percent over the applicable PGY pay rate (with appropriate supporting documentation). Pay rates for Chief Residents may be shown in disbursement rate schedules developed for other residents by adding a note to reflect the amount of pay differential or rate. Authorized Chief Resident rates must be documented in the same manner as regular residents' stipends. Only post-training Chief Residents qualify for a pay differential. Chief Resident positions and pay differentials will be approved only for post-training Chief Residents relating to core or 'pipeline' (i.e., not subspecialty) accredited programs.

c. **Fringe Benefits.** Only fringe benefits as approved by OAA and accruing individually to each resident are considered in the annual total reimbursement per

resident. The rates must be itemized and documented in writing. Documentation may consist of a schedule on the affiliate's letterhead, signed by a responsible organization official; a part of other official communication from the affiliate; or a copy of the collective bargaining agreement with the disbursing agent. In the absence of such documentation, the VA medical facility's House Staff Handbook or the disbursing agent's memorandum to house staff concerning pay is suitable.

(1) **Federal Insurance Contributions Act.** Federal Insurance Contributions Act (FICA) tax is a payroll tax imposed by the U.S. Federal government to fund Social Security and Medicare. Most agreements reimburse the disbursing agency for FICA tax paid. J-1 visa holders are typically exempt from paying FICA taxes for their first 5 years in the United States and these taxes should not be deducted from paychecks. J-1 scholars and researchers are typically only exempt for 2 years. The mechanism for the exemptions are found under Internal Revenue Code 3121 (b)(19) and is available to persons in F-1, J-1, M-1 and Q immigration status. To determine residency threshold for tax liability, one would use the "Substantial Presence Test" (http://www.irs.gov/Individuals/International-Taxpayers/Substantial-Presence-Test) utilized by the IRS. In order to avoid tracking the payment or non-payment of FICA on an individual resident basis, an average FICA payment, which takes into account the proportionate number of non-citizen residents on J1 visas who are not eligible for FICA, may be calculated and paid to the disbursing agent. The basis for the annual FICA payment needs to be documented.

(2) **Health Insurance.** Suitable documentation typically consists of a copy of the carrier's invoice or statement on the carrier's letterhead clearly identifying unit costs to the disbursing agent for each health benefit plan available to the resident. Average health insurance rates may be calculated in order to avoid tracking residents on 'individual' versus 'family' insurance plans.

(3) **Other Insurance.** Life and disability insurance provided by commercial insurance carriers is fairly common. These may sometimes be grouped such as a combined accidental death and dismemberment policy (AD&D). Documentation of costs and resident entitlements must be maintained.

(4) **Worker's Compensation.** Suitable documentation typically consists of provisions of the law, regulation, ordinance, or other binding governmental document, which specifies the cost to the disbursing agent for government entities. If an affiliate is self-insured for worker's compensation, copies of its internal accounting documents, or those of an independent auditor, may be used to support costs.

(5) **Retirement.** Residents at some affiliates are covered by a retirement program for which the employer pays full or partial premiums.

(a) If the resident is fully vested and all funds contributed to the retirement fund by the disbursing agent follow the employee when employment (residency) ceases, VA may reimburse for the cost.

(b) If residents are not fully vested, VA does not reimburse for employer contributions.

(c) Occasionally, vesting does not occur until the second or third year of employment. In those cases VA reimbursement may begin with the year the employee becomes fully vested. Documentation must completely describe employer contribution costs related to the retirement program, including specific information about vesting. ***NOTE:*** *Such documentation is frequently found in official brochures or handbooks accompanying employment.* Exact employer costs must be determined.

(6) **Other Reimbursable Items.** Items not listed in paragraphs 9c(1) through 9c(5) may be included with specific cost documentation and justification. These items require approval from the Chief Academic Affiliations Officer. Certain individually-accountable services or items that do not become the property of the resident may be reimbursable under disbursement agreements. These include housing, parking, meals, and laboratory coats or uniforms, provided they are required by the program and provided to all residents in the program.

(7) **Housing Allowance or Provision of Quarters (in lieu of a housing allowance).** A housing allowance may be considered on a case-by-case basis depending on funding availability, and, OAA-applied "caps" at the discretion of the Chief Academic Affiliations Officer. If a housing allowance is approved, supporting documentation for any increase in rate must be provided and will be reviewed by OAA, VA may furnish free quarters to medical or dental residents or students who serve short rotations (6 months or less) at a VA medical facility and establish the need for a second residence because the substantial distance (greater than 50 miles) to the VA medical center makes commuting from the affiliated sponsor of the accredited program impractical while the brevity of the training assignment rules out a permanent change of residence. Requests for a housing allowance must be approved annually and are not subject to automatic renewal. In this situation, free quarters would be furnished to both residents on the VA payroll and residents or students appointed to VA WOC. The provision of quarters requires the written approval of the Chief Academic Affiliations Officer. The requesting facility must outline the justification for use of quarters and the benefit to the VA.

d. **Daily Rate.** The Daily Rate by PGY-level is determined by dividing the annual salary plus the cost of the approved fringe benefits for each PGY-level position by 365 days per year (or 366 in leap years) less the allowable annual (vacation) leave. The number of days of annual leave must conform to the sponsoring institution's leave allocations, but must not exceed 30 days. ***NOTE:*** *The sponsoring institution's House Staff Handbook, or similar publication, usually describes these entitlements and should be adequate for documentation.*

e. **Non-reimbursable Items.** Non-reimbursable items include general administrative costs, which may not be included in disbursement agreements. ***NOTE:*** *Selected educational costs may be reimbursed under a health services contract (see VHA Handbook 1400.10, Health Care Resources Contracting: Educational Costs of*

Physician and Dentist Resident Training Pursuant to 30 U.S.C. 8153). The following items are not reimbursable under a disbursement agreement:

(1) Administrative support;

(2) The costs associated with mandatory orientation and training programs (such as Advanced Cardiac Life Support);

(3) Email services;

(4) Residency management software applications;

(5) In-service exams;

(6) Accreditation body fees, including per-resident assessments, program and institutional accreditation fees;

(7) Cost of attendance, including registration for and travel to, medical meetings and special education courses;

(8) National Resident Matching Program participation charge;

(9) Pagers, cell phones, Blackberries, or other electronic communication devices;

(10) Purchase of education materials, e.g., books, tapes, DVDs, and software for institutional or department use;

(11) Resident licensure fees; or

(12) Other indirect costs of resident education.

10. ACTIVITIES ELIGIBLE FOR VA REIMBURSEMENT UNDER A DISBURSEMENT AGREEMENT: VA educational activities eligible for reimbursement are assigned and approved based upon the planning process conducted (see paragraph 6). All reimbursement must be based upon actual, documented assignment and activities undertaken at the VA medical facility, except as noted in paragraphs 10b through 10d. Off-site training involving specific groups of patients not represented in VA (e.g., pediatrics and obstetrics), but available at the sponsoring or other participating institutions, is not reimbursed under a disbursement agreement, even if such training is required for accreditation or board certification. The following educational activities and leave may be reimbursed under a disbursement agreement.

a. **On-site Educational Activities.**

(1) Residents whose primary assignment is to VA for a month (or other defined rotation period) are eligible for reimbursement. These “full” assignments are generally in primary or basic specialty training programs, such as internal medicine, surgery, or psychiatry.

(2) Residents who divide their activities between VA and another participating site are also eligible for reimbursement. These "split" assignments generally occur in more advanced residency programs (e.g., internal medicine sub-specialty fellowship programs), but are also used by some basic specialty training programs (e.g., dermatology).

(3) Non-duty days as required by ACGME or other accreditation body's duty hour rules or according to typical schedules for a given training program are reimbursed.

b. **Orientation Activities.** VA may reimburse the stipend and benefits for orientation days that occur at the beginning of the academic year, provided the resident is assigned to the VA for the first clinical rotation and has been duly appointed to the VA by virtue of completing all onboarding procedures.

c. **Off-site Educational Activities.** VA may reimburse certain off-site, VA-approved educational activities as follows:

(1) **Didactic Sessions and Scholarly Activities.** Residents are expected and permitted to attend didactic sessions at a non-VA affiliated site while "assigned to VA," provided the educational activities are specified in advance in the resident's schedule, are needed to enable the residents to perform their VA duties, and are required of all residents in the program.

(a) Whenever possible, a proportionate share of required didactic sessions needs to be held at a VA medical facility or made available to VA-assigned residents by video-teleconferencing.

(b) During VA assignments, residents are expected and permitted to undertake scholarly activities, such as library research or conference preparation. ***NOTE:*** *This can often be accommodated on VA premises with VA supervisors.* Scholarly activities at an affiliated site may be credited as VA-assigned activity.

(2) **Continuity Clinics.** Continuity clinic training enhances a resident's ability to care for patients in general and patients with chronic diseases in particular. Continuity clinics at the primary academic affiliate and other participating sites may be credited as part of a resident's VA assignment, but only when such training is required and needed to enable the residents to perform their VA duties, and provided a proportionate share of non-assigned residents have "reciprocal" continuity clinics at VA. ***NOTE:*** *Continuity clinics are presently required by family medicine, internal medicine and its subspecialties, neurology, and psychiatry.*

(3) **Special Circumstances.** Limited off-site activities, which enhance the care of individual VA patients or VA patients in general, may be undertaken by residents assigned to VA.

(a) In each of these exceptional circumstances, the resident must be supervised by an appropriately-credentialed VA practitioner.

(b) Approval of the VA Site Director and DEO must be obtained in advance of such activity in order to ensure reimbursement under a disbursement agreement. Written documentation of the approval process must be maintained on file by the DEO. Specific examples include:

1. Radiology, where residents may be engaged in electronically reading VA patient images at a remote location while on-call;

2. Pathology, where residents may engage in consultation regarding VA patients requiring highly-specialized expertise available only at an off-site location, or where residents go to an off-site location to participate in autopsies on VA patients when a given VA medical facility no longer does autopsies in-house; and

3. Research (resident participation at non-VA facilities), where the supervising practitioner (investigator) holds a VA appointment and where the research project is approved VA research. ***NOTE:*** *For more information on approved VA research see VHA Directive 1200 and related VHA Handbooks.*

(4) **Attendance at Local, Regional or National Meetings.**

(a) As part of their scholarly activities (see paragraph 3b), residents assigned to VA may attend local, regional, or national meetings, provided attendance could be reasonably considered to enhance the provision of care to VA beneficiaries. For example, attendance at a rheumatology or quality improvement conference may be appropriate, whereas pediatrics or obstetrics conferences are not.

(b) Approval of the VA Site Director and DEO must be obtained in advance of such activity in order to ensure reimbursement under a disbursement agreement. Written documentation of the approval process must be maintained on file by the DEO. Time approved for such meetings must be shared between all participating sites based on their proportionate share of assigned resident positions. In no case should time approved for such activities exceed 5 days per resident on an annual basis.

d. **Allowable Leave.**

(1) **Annual Leave.** Annual leave must be incorporated in the VA-approved per diem rate under the disbursement agreement. The adjusted per diem payment provides the disbursing agent with funds to cover the annual leave for VA's proportionate share of resident positions. Reporting of leave is not required due to the fact that the cost of the annual leave is included in the daily rate; however, VA must not be billed for days when a resident is on annual leave. Incorporation of annual leave into the per diem rate is accomplished as follows:

(a) The per diem rate must be based upon the annual stipend divided by 365 (366 in leap years) minus the annual leave per resident position allowed by the sponsoring institution or program. For example, if the sponsoring institution grants 21 days per year for each resident, the per diem rate is calculated by dividing the annual resident stipend by 344 (365 - 21 days = 344). In this example, each resident position is thus equivalent

to 344 days of assigned VA educational activities. A resident who takes annual leave for the remaining 21 days is paid by the sponsoring institution, and VA is not billed for the leave, as VA has already factored the leave into the per diem reimbursement. ***NOTE:*** *Clinical coverage for when residents are on leave (e.g., to provide 365-day coverage of inpatient services) must be feasible within the approved VA base allocation and needs to be considered in the planning process (see paragraph 6b).*

(b) Alternate methods for determining and reimbursing for annual leave may be used only with the advance approval of the Chief Academic Affiliations Officer.

(c) When on VA-assigned rotations, residents' leave must be prospectively approved by the Program Director and the VA Site Director. ***NOTE:*** *Sites are encouraged to pre-schedule leave rotations at the beginning of each academic year so not to interfere with resident assignments and coverage.*

(2) **Sick Leave.** Reimbursement for sick leave is governed by the policy of the sponsoring institution, but must not exceed 15 days per academic year of training for each VA-assigned resident position as a leave pool, or per individual resident. Resident sick leave days do not accrue from year to year. Unused sick leave is non-reimbursable. Sick leave may not be included in the calculation of the per diem rate. Sick leave days may be used for maternity leave, bereavement, or family leave, provided such use is included in the leave policy of the sponsoring institution. Sick leave must be reported to the VA Site Director and the Program Director, tracked, and reimbursed only if used (subject to the 15-day per resident position per program limitation).

(3) **Military Leave.** Residents who are members of the U.S. National Guard or a reserve component of the armed forces may be granted military leave, not to exceed 15 calendar days per year, for the performance of active military duty.

(4) **Examination Leave.** Residents may be relieved from assigned duties to undergo examinations for state medical licensure and U.S. specialty boards. The authorized absence cannot exceed the time required for taking the examination and traveling to and from the examination site.

e. **Educational Details.** Absences from VA to non-VA, non-sponsoring institutions, or non-participating sites must be handled under the procedures for approving "educational details" (see VA Handbook 5007, Part II, Appendix E). Educational details are reserved for clinical experiences that cannot be provided either at VA or the sponsoring and local participating institutions and which are part of providing complete medical services to veterans, i.e., VA may reimburse for residents' time outside VA facilities only when those activities help meet VA's primary function. Requests for educational details must be submitted in writing by the Program Director through the VA Site Director to the DEO for advance approval. Records of approvals of educational details must be kept on file for a minimum of 5 years. OAA approval of educational details is not required, but consultation is encouraged. All four of the following conditions must be satisfied in approving educational details:

(1) **VA Mission-related Requirement.** Benefit to VA must be demonstrated. The experience must be shown to be needed to enable residents to enhance their ability to provide care to veterans. ***NOTE:*** *VA cannot reimburse for non-VA training experiences when the sole purpose of the off-site rotation is to gain experience that cannot be obtained at the local VA or the sponsoring and participating institutions.*

(2) **Accreditation Requirement.** For medical programs, the specific experience must be required for accreditation of the program as stated in the ACGME or AOA "Program Requirements" or program accreditation letter. For dental programs, the experience must conform to requirements published by CODA for accredited advanced specialty education or postdoctoral general dentistry education programs.

(3) **Proportionate Share Requirement.** The proportion of VA support for any educational detail must not exceed the percentage of the total VA-funded support for a given residency training program, i.e., the number of resident positions funded by VA divided by the total number of residents in the affiliated program. For example, if VA pays for three of nine hematology or oncology fellows, then VA pays for no more than one third of the educational detail.

(4) **Affiliation Agreement Requirement.** An affiliation agreement must be in place between VA and the off-site entity providing the off-site experience. An affiliation agreement is essential to ensure that the residents are protected from personal liability either by the Federal government or the non-VA entity.

f. **On-call Duty and Coverage.**

(1) Residents whose primary assignment is to VA do not receive additional reimbursement for on-call duty.

(2) In programs in which on-call, night, weekend, and holiday coverage or duty is assigned to or shared among residents who are not primarily assigned to VA, the proportionate VA share of coverage must be determined as part of the planning process described in paragraph 7b**.** Reimbursement for call for residents on a shared assignment or "at home" call will only be provided when residents are actually required to physically come in to the VA medical facility. These episodes should be reimbursed on a half-day basis, rather than hourly or other means. Residents assigned to the VA may not receive extra compensation for "medical officer of the day" or "surgical officer of the day" coverage or for additional duties outside their normal rotation schedules.

g. **Chief Residents.** ***NOTE:*** *A post-training Chief Resident is the only non-accredited position that may be funded through a disbursement mechanism.*

(1) Post-training Chief Residents may be appointed as paid medical staff by a VA medical facility, according to local practice, and if thus appointed, they are not considered trainees. Chief Residents appointed as medical staff, paid through local medical care appropriations and fall outside the jurisdiction of this policy.

(2) Post-training Chief Resident positions, if approved by OAA through the resident allocation process Records Control Symbol (RCS) 10-0144, Medical and Dental Resident Allocation Process**,** may be funded through a disbursement agreement. In order to receive approval as a 1-year, non-accredited training position(s), the following conditions must be satisfied:

(a) The Chief Resident must function in the context of an ACGME or AOA-accredited, affiliated, core program (even though the Chief Resident's experience is non-accredited) in programs where there is an established, ongoing practice of funding one or more Chief Resident positions at the sponsoring institution. Subspecialty residents in either accredited or non-accredited subspecialty programs are not eligible for appointment as VA Chief Residents. ***NOTE:*** *Chief Residents typically serve as instructors to more junior residents, assist with program or clinical service administration, arrange for educational conferences and sessions (such as Grand Rounds), and serve as a liaison between the residents and faculty.*

(b) VA Chief Residents are to be appointed and funded not to exceed VA's proportionate share of all Chief Residents in the program based upon the number of residents assigned to VA and total number of residents in the program. A VA medical facility must have eight resident positions in the core program to fund one Chief Resident position.

(c) The appointment of a post-training Chief Resident is part of the accepted, established practice at the local VA affiliate(s) and the affiliated sponsoring institution.

(d) The Chief Resident must have completed the minimum years of residency training to satisfy board requirements for applying for board certification.

(e) The affiliate has an established stipend rate for Chief Residents or "Chief Resident differential," which must be communicated in writing to the VA medical facility (see VA Handbook 5007, Part II, Chapter 2, Appendix E, for more information on stipend rates). ***NOTE:*** *The actual stipend may be capped as described in paragraph 9b.*

(f) The appointment of any one individual as "Chief Resident" may not exceed 1 year.

(g) Each allocated Chief Resident position may be shared by two or more Chief Residents (e.g., two residents, each with 6-month rotations to VA).

(h) At the discretion of the local facility, a post-training Chief Resident may be credentialed and privileged as a licensed independent practitioner (see VHA Handbook 1100.19, Credentialing and Privileging). If granted clinical privileges, the post-training Chief Resident may serve as an attending for third-party billing purposes. The Chief Resident may also act as a supervising practitioner to supervise residents in the appropriate specialty, provided such service is approved by the Residency Program Director. However, the Chief Resident may not accept additional remuneration for attending duties (e.g., fee basis) if the position is funded through a disbursement

agreement as a training position. ***NOTE:*** *See VA Handbook 5007/17, Pay Administration, for the prohibition of dual compensation. There is an exception to this stipulation for service by a non-career resident as Emergency Department Physician ("admitting physician" or "AOD"). See VHA Handbook 1400.01, Resident Supervision, for information relating to resident supervision policy.*

11. VA FACILITY ADMINISTRATION OF DISBURSEMENT AGREEMENTS:

a. **Planning.**

(1) Prior to the beginning of the academic year, each VA Site Director, in collaboration with the appropriate Program Director, prepares schedules of educational activities based upon the facility's training capacity and the number of allocated resident positions. The planning process should take into account the use of annual leave for those services which require 365 days of the year coverage.

(2) Such planning is based upon numbers of positions by program and PGY-level and need not include the names of specific residents. VA Site Directors must communicate these schedules to the DEO, who determines the final allocations. The DEO communicates the final allocations to OAA (through OAA's established resident allocation process) and to the DIO(s) of the affiliated institution(s).

(3) Reimbursement is based upon the number of residents completing VA-approved educational activities and the PGY-specific per diem rates of reimbursement. FICA is not reimbursable for residents on J1 visas, except as allowed by law.

(4) Only resident stipends and benefits for positions in accredited programs and accredited training years are eligible for reimbursement. ***NOTE:*** *Stipends or benefits for positions in non-accredited programs or training years may not be reimbursed unless approved by OAA.*

(5) Medical facilities may only use centralized funds provided by OAA to cover approved allocations to pay for resident positions.

b. **Educational Activity Records.**

(1) VA medical facilities must have in place documentation procedures at the service or section level to ensure that residents assigned to the facility have participated in assigned educational activities.

(2) Program Directors at sponsoring institutions are responsible for maintaining accurate resident assignments to all participating sites (including WOC residents), and for communicating initial schedules and relevant updates to VA Site Directors.

(3) The DEO and VA Site Directors must review resident schedules and determine, for residents on "split" assignments, the per cent of the resident's total activity assigned to VA. Such determinations need to be conducted in collaboration with Program

Directors and take into account all educational and other allowable activities, including on-call coverage and leave (see paragraph 10a(2)).

(4) Educational activity records that accurately document residents' participation by name and VA-approved PGY-level must be maintained monthly (or other defined rotation). The basic document for comparison with submitted invoices is each resident's monthly educational activity record. The educational activity record represents the primary documentation of participation in assigned educational activities, other allowable activities, and approved leave (see paragraph 10c).

(a) VA medical facilities must have a local standard operating procedure (SOP) defining the procedures for resident activity record keeping that includes assignment of record keeping duties to appropriate staff (see paragraph 7b(1)). A sample of a local educational activity records SOP is located at the VHA OAA intranet website at:: https://dvagov.sharepoint.com/sites/VHAOAA/public/SitePages/EARs--Educational-Activity-Records-(Resident-Tracking)(1).aspx. ***NOTE:*** *This is an internal website that is not available to the public*.

(b) Educational activity records are to be maintained at the service or section level and annotated as appropriate to indicate deviations from scheduled activities. ***NOTE:*** *Computer-generated schedules from the university are acceptable. If an online system is used for tracking resident activities, there must be a way for VA staff to print-out or download the schedules in order to annotate them.*

(c) Service or section-level record keepers must receive training on the policy and procedures at the time they are assigned to this record keeping duty and annually thereafter.

(d) Sick and military leave must be documented, and may be prorated based upon the total number of resident positions allocated and assigned to a given program using "leave pool" arrangements (see paragraphs 10c(2) and 10c(3)).

(5) Each VA Site Director, or designee, must have a way to monitor resident participation in scheduled educational activities. Fulfillment of ward or clinic duties "by exception" is an acceptable method of verification of participation, i.e., unless there is evidence to the contrary (e.g., complaints of a resident not showing up for clinic or the resident calling in sick), the resident is assumed to be participating as scheduled. Monitoring by exception needs to be combined with spot checks on a rotating basis (e.g., monitors of actual attendance of one or two programs per month so that over the year all programs have been monitored at least once). ***NOTE:*** *Hourly or daily monitoring is not required. Use of sign-in and sign-out sheets, electronic monitors, or other forms of burdensome monitoring and documentation, is discouraged.*

(6) VA educational activity records and the records provided by the sponsoring institution must be reconciled. In the case of a conflict, VA records are the determining basis for reimbursement.

(a) Discrepancies between the number of residents allocated and the number assigned to VA or between the number assigned and the number who actually participate in educational activities must be brought to the attention of the DEO and Program Director by the VA Site Director or service or section level record keeper.

(b) VA Site Directors must certify, on a monthly basis, that the records of educational activities of VA-assigned residents are accurate. In the absence of a VA Site Director, certification may be delegated to the service or section chief, or designee.

(7) Educational Activities must be calculated. A resident can be considered either on a "full" assignment or a "split" assignment. As such, reimbursement for educational activities is calculated by the percent of total activities that are VA-assigned activities in which the resident participated for the month (or other rotation period) multiplied by the PGY-specific per diem rate multiplied by the number of days in the month (or other rotation period).

(a) A full assignment is one in which the resident is only assigned VA duties for the rotation period, and which meets ACGME duty hour standards. The activities of residents on "full" assignments are reimbursed at 100 percent, because adherence to ACGME requirements implies that there can be no other assignment. For example, in the case of a full-assignment resident, non-duty days, such as week-ends, holidays, or required ACGME duty hour limit days, are considered in the calculation as if the resident were engaged in VA activities on those days, i.e., they are reimbursable.

(b) A resident on "split" assignment can only be reimbursed in proportion to the number of days on VA assignment because the aggregate of the VA assignment and other assignments must meet ACGME duty hour limits. Examples are:

1. A PGY-2 internal medicine resident completes a "full" assignment to VA for the month of July (31 days). The amount that the disbursing agent needs to bill and that VA would reimburse is 1.0 x 31 x the PGY-2 per diem rate. If residents in this program started on the 10th of the month instead of the 1st, the reimbursement would be for 21 days (i.e., 1.0 x 21 x the PGY-2 per diem rate).

2. A PGY-3 dermatology resident is on a "split" assignment to VA and attends one half-day clinic per week for the month of June. Since this clinic can only occur during VA business hours during the week, the resident's total activities, (2 days out of 20 days, plus on call and related didactic activities) this amounts to a 10 percent "split" VA assignment. The amount that the disbursing agent needs to bill and that VA would reimburse is 0.1 x 30 x the PGY-3 per diem rate.

c. **Fiscal Procedures.**

(1) **Projected Annual Reimbursement.**

(a) Prior to the beginning of the academic year and after VA has determined its commitment to the educational activities of the sponsoring institution, the DIO submits to the VA DEO and the disbursing agent the planned and budgeted allocation of

resident positions by training program and PGY-level. ***NOTE:*** *Names of individual residents need not be included in the plan.* The budget must include a Disbursing Rate Schedule with the per diem rate for stipends and fringe benefits for planned resident positions by PGY-level that will be in effect at the beginning of the academic year. The projected annual reimbursement is determined, which forms the basis for quarterly or monthly advance payments. Based upon the annual plan and budget, the disbursing agent submits an invoice to VA covering projected resident activities for the full academic year.

(b) The annual projected reimbursement submitted by the disbursing agent is used by the VA medical facility to establish an obligation in advance of each month or each quarter, based on the estimated number of allocated resident positions by training program and PGY-level.

(c) Advance quarterly payments of up to 80 percent of projected expenditures may be paid to the disbursing agent (on either a monthly or a quarterly basis) based upon the annual invoice, without the need to receive monthly or quarterly invoices for payment.

(2) **Reconciliation Procedures.**

(a) The disbursing agent submits a monthly or quarterly invoice detailing the:

1. Number of VA-assigned residents for each training program by PGY-level;

2. Calculated number of days per month based upon the per cent of VA-assigned educational activities for those residents;

3. VA-approved per diem rate for each training program by PGY-level; and

4. Total amount being charged for each training program, and the total charge for the period.

NOTE: *The invoice does not need to contain the names or other identifiers of individual residents.*

(b) Disbursing agents and sponsoring institutions are expected to exercise due diligence in not claiming residents for VA reimbursement while claiming them under any other Federal payer for the same time period.

(c) VA educational activity records are used to prepare a monthly (or other rotation period) summary statement of VA-approved educational activities completed. At the end of each month or rotation, the VA Site Director prepares and sends a memo to the DEO, or other office doing the reconciliation, that states, for the month or rotation, the actual number of residents by training program and PGY-level rotating at VA during that period and the calculated number of days per month or rotation based upon the percent of VA-assigned educational activities for those residents. This report must be signed by the VA Site Director or, in the VA Site Director's absence, the appropriate service or

section Chief; however, this report does not need to contain the names or other identifiers of individual residents.

1. Residents with "full" assignments will have their educational activities calculated as the number of days in the month (31, 30, or 28 or 29 days, as appropriate) times the per diem rate by PGY-level. Alternately (based upon local practice), calculation by another rotation period is acceptable (e.g., some training programs have thirteen 28-day rotations per year).

2. Residents with "split" assignments have their educational activities reimbursed at the percentage of activities assigned to VA times the number of days in the month (or other rotation period) times the per diem rate by PGY-level.

3. Allowance for reimbursable sick leave and other approved absences (e.g., credit for non-duty days) is made, as appropriate.

4. Records (including names of individual residents) must be maintained at the service or section level and retained for at least 5 years. These records must be available for auditors should the need arise to reconcile discrepancies.

(d) A process, including appropriate oversight, must be in place to review and annotate invoices received from the sponsoring institution. Submitted invoices are compared to the certified educational activity records provided by the VA Site Director(s). VA records as summarized on a monthly basis and certified by the VA Site Director(s), service or section chief(s), or other appropriate designee(s), are the controlling documentation in the case of discrepancies. Unsubstantiated claims are not paid.

(e) As part of the reconciliation process, the DEO or designee, must note any discrepancies and assume responsibility for their resolution. The DEO approves the final invoice and submits it to VA Fiscal Service for reimbursement.

(f) Fiscal Service reviews and processes the final invoice, taking into account payments in advance and payments in arrears, and making any necessary additional payments to the disbursing agent or obtaining any refunds from the disbursing agent on a quarterly or other locally-determined basis.

(g) Fiscal Service is required to reconcile over or under payment of centralized disbursement funds for stipends and benefits on a quarterly basis by way of OAA's Needs and Excess Report. The Needs and Excess report requests from OAA additional funding or returns to OAA excess funds by using the appropriate Needs and Excess Code. The report is submitted using the online Needs and Excess database located in the OAA Support Center Web Portal at http://vaww.oaa.med.va.gov. ***NOTE:*** *This is an internal VA Web site that is not available to the public*.

(h) Stipends and benefits of residents paid by other sources (e.g., Department of Defense or visiting residents not paid by the disbursing agent) are not eligible for VA reimbursement. Such residents need to be appointed as a WOC resident. WOC

residents may include residents who rotate to VA in excess of the facility's official (OAA-approved) resident position allocation.

(3) **Periodic Reviews and Internal Controls.**

(a) The VA medical facility Director is responsible for appointing an independent team to conduct periodic audits or facility-level self-assessments of disbursement agreements. The appointed office or individuals must not be directly involved in the management or routine monitoring of disbursement agreements.

(b) These reviews ensure that the VA medical facility has adequate record keeping and payment practices. At a minimum, the local, internal, VA audit must include:

1. Educational activity record keeping at the service or section level;

2. Use of approved PGY levels and per diem rates for reimbursement in Fiscal Service invoices and in DEO local monitoring procedures;

3. Reconciliation procedures used by the DEO and Fiscal Service;

4. Application of Social Security exemptions for J1 visas (through an average FICA rate based upon the number of non-citizen residents on J1 visas); and

5. Prompt payment of final invoices and avoidance of duplicate payments by Fiscal Service.

(c) Discrepancies found during internal review must be brought to the immediate attention of the Chief of Staff and CFO. Any resulting corrections of disbursement payments will be made after consultation with the CFO, DEO, DIO, and the relevant Site and Program Directors, as appropriate.

12. PROCESS FOR RATE CHANGES:

a. The disbursing agent or sponsoring institution must notify the DEO and CFO of proposed stipend rate changes on at least an annual basis; however, this notification must be done anytime rates change within a Fiscal Year. Alternatively, before any change in stipend and benefit rates, the local VA medical facility (generally the CFO) may solicit proposed stipend and benefit rate changes from the sponsoring institution or the disbursing agent. The DEO must ensure that the disbursing agent has submitted the projected rates for the coming academic year for approval.

b. The DEO, in collaboration with Fiscal Service, must complete a mockup of the existing rates using the Disbursement Rate Schedule (see Appendix C). A copy of the documentation used to estimate the rate changes by PGY-level must be forwarded to the DEO and VA medical facility Director for review and comment, prior to submitting the request to OAA for final approval. Fringe benefits must be itemized individually and may not be lumped together as a single line item.

c. Following OAA review and approval, the Disbursement Rate Schedule is returned electronically to the facility DEO or designee. In all cases, the stipend rates by PGY-level must be the same as at the sponsoring institution. Chief Residents who meet the criteria specified in paragraph 10f may be reimbursed at the same stipend rate paid by the sponsoring institution up to a cap of 25 percent above the pay for the assigned PGY-level of the Chief Resident.

d. Copies of the approved Disbursement Rate Schedule are to be distributed by the DEO to the CFO, disbursing agent, and the DIO of the sponsoring institution, VA Fiscal Service, and any other staff involved in the disbursement process.

13. REFERENCES:

a. 38 U.S.C. 7316.

b. VA Handbook 5007, Pay Administration.

c. VAOPCADV 21-98, Office of General Counsel Opinion, "Paying residents through disbursement agreements for service outside a VA facility," August 28, 1998.

d. VHA Handbook 1100.19, Credentialing and Privileging.

e. VHA Handbook 1400.01, Resident Supervision.

f. VHA OAA Educational Activity Records Standard Operating Procedure Template: https://dvagov.sharepoint.com/sites/VHAOAA/public/SitePages/EARs--Educational-Activity-Records-(Resident-Tracking)(1).aspx. ***NOTE:*** *This is an internal website that is not available to the public.*