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October 29, 2008

The Honorable Nancy Pelosi
Speaker of the House
United States House of Representatives
Washington, DC 20515

Dear Madam Speaker:

On behalf of the Association of American Medical Colleges (AAMC), I urge you to consider the role of America's medical schools and teaching hospitals in the nation's fiscal health when Congress develops an economic stimulus and recovery package in the coming weeks. The AAMC is a not-for-profit association representing all 130 accredited U.S. and 17 accredited Canadian medical schools; nearly 400 major teaching hospitals and health systems; and 94 academic and scientific societies. Through these institutions and organizations, the AAMC represents 109,000 faculty members, 67,000 medical students, and 104,000 resident physicians.

AAMC-member institutions have substantial economic and social impact within the counties and cities they serve. Many communities in all regions of the country rely heavily on AAMC-member institutions for job creation and new business development in addition to the educational, research, and patient care missions. A Tripp Umbach study released in January 2007 reported that during 2005, the combined economic impact of AAMC members equaled over \$451 billion. AAMC members accounted for more than 3 million full-time jobs, which means that one out of every 48 wage earners in the U.S. labor force works either directly or indirectly for an AAMC member. Furthermore, AAMC members generated more than \$20 billion in total state tax revenue through income taxes and sales taxes, corporate net income taxes, and capital stock/franchise taxes produced by businesses that receive revenue from AAMC members.

Given the critical necessity to preserve and create jobs to help stabilize the nation's economy, the AAMC makes the following recommendations.

Provide an additional \$1.9 billion for the National Institutes of Health (NIH): NIH supports groundbreaking research that results in new preventive, therapeutic, and diagnostic measures to improve the health and quality of life for all Americans. In addition, these advances also contribute to the economic strength of the nation by creating skilled jobs, new products, and improved technologies. The medical schools, teaching hospitals, universities, and research institutes where this research takes place are among the largest employers in their respective communities.

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According to a study released in June 2008 by Families USA, on average, in fiscal year 2007, every dollar of NIH funding generated more than twice as much in state economic output. This means an overall investment of \$22.846 billion from NIH generated a total of \$50.537 billion in new state business activity in the form of increased output of goods and services. This same study revealed that in FY 2007 NIH grants and contracts created and supported more than 350,000 jobs that generated wages in excess of \$18 billion in the 50 states. The average wage associated with the jobs created was \$52,000. We must invest now in the NIH to maximize the benefits of scientific opportunity for our nation's fiscal as well as physical health. **The AAMC recommends the inclusion of an additional \$1.9 billion for NIH in the economic recovery package.**

Restore Medicare Capital IME Payments: Without legislative mandate or direction, CMS finalized a regulation that cuts Medicare capital indirect medical education (IME) payments by 50 percent in FY 2009 and eliminates them altogether in FY 2010. This policy affects all teaching hospitals, and will result in about \$375 million in total annual losses to these institutions that serve a high volume of Medicare beneficiaries and provide critical services unavailable across the country. Without these payments, Medicare capital margins for teaching hospitals would be negative.

As in the operating prospective payment system, capital IME payments help recognize that teaching hospitals must meet the demands of treating sicker patients, as well as meet the financial demands of operating emergency and trauma care, providing highly specialized services, and treating uninsured patients. **The AAMC urges you to legislatively rescind this harmful policy or at a minimum place a moratorium on its implementation.**

Preserve Long-Standing Medicaid Funding for the Health Care Safety Net and Provide Funding Increases During the Economic Downturn: The AAMC strongly urges Congress to preserve and expand Medicaid funding. The nation's teaching hospitals and medical school faculty physicians provide disproportionately large amounts of health care services for Medicaid beneficiaries, while simultaneously maintaining their unique missions of medical education, biomedical research, and providing innovative patient care. Any reductions in Medicaid funding will directly threaten their ability to maintain physician training programs, regional health care services that benefit all patients such as Level I trauma centers, and the development of breakthrough treatments for life-altering diseases and injuries.

While the country's 276 major teaching hospitals represent just 6 percent of all hospitals and 19 percent of all hospital admissions, they account for one-quarter of all Medicaid discharges and nearly one-half of all hospital charity care. Medicaid patients account for nearly one-sixth (17 percent) of healthcare services provided by faculty practice groups. A weakening economy will likely trigger a significantly increased demand for Medicaid services at teaching hospitals and from faculty physicians, as beneficiary enrollment grows and program participation drops among other hospitals and physician groups.

Therefore, the AAMC strongly urges Congress to preserve its long-standing federal Medicaid support for graduate medical education, to oppose any changes to Medicaid policies regarding cost limits and units of government, and to preserve Medicaid disproportionate share hospital (DSH) allotments. Additionally, the AAMC supports an

increase in the federal medical assistance percentage (FMAP) to help offset Medicaid cuts states may implement due to the weakened economy.

Preserve Patient Access and Equity by Banning Self-Referrals to New Physician-Owned Hospitals: Unlike most providers, many physician-owned hospitals do not maintain a mission of serving all patients without regard to health insurance coverage or health status. Within this context of an un-level playing field, physician-owned hospitals “pick and choose” well-paying and less complex patients, while directing less profitable patients to safety net providers. Such action threatens patient access to health care and further erodes the ability of teaching hospitals to maintain services that benefit all Americans, not just the poor and uninsured. **The AAMC supports a ban on self-referrals to new physician-owned hospitals (and appropriate limits on the expansion of existing physician-owned hospitals).**

Eliminate the caps on Medicare's support of graduate medical education (GME) residency positions to enable teaching hospitals to train more physicians: Physician supply will increase only slightly between now and 2025, while demand will rise at a far faster rate, yielding a shortage of 124,000 or more physicians by the same year. This shortage is related to the growth of the nation's population (increasing by 25 million people each decade) and the fact that the number of people over the age of 65 will double by 2030. Patients 65 and older typically average six to seven physician visits per year, compared with two to four visits annually for those under 65. While medical advances and enhanced prevention will enable Americans to live longer, healthier lives, they will also require additional health services as they age.

Many hospitals can quickly add physician trainees if Medicare eliminates the freeze on supporting its share of costs which has been in place for over a decade. Moreover, eliminating the caps (imposed by the Balanced Budget Act of 1997) will provide economic and health care stability to communities since most physicians practice in the geographic areas where they are trained.

Physician shortages are exacerbating barriers to care at a time when 47 million Americans are already without health insurance; the nation's economic downturn will make access to needed health care difficult for millions more Americans. The nation's major teaching hospitals are an integral and vital part of communities, providing 25 percent of Medicaid and 45 percent of US charity care.

Eliminating the decade-long freeze in Medicare's support for physician training will allow teaching hospitals to fulfill their missions of caring for all patients while helping to build economic investment in communities now and in the future. **Congress should eliminate Medicare's caps on support for GME immediately.**

Provide \$142 million for the Department of Veterans Affairs (VA) Research Infrastructure: Research conducted at the VA has led to such innovations and advances as the cardiac pacemaker, CAT scan technology, radioisotope diagnosis techniques, liver transplants, and the nicotine patch. A state-of-the-art environment for research promotes excellence in teaching and patient care as well as science. It also helps VA recruit and retain

the best and brightest clinician scientists to care for VA patients. In recent years, funding for the VA medical and prosthetics research program has failed to provide the resources needed to maintain, upgrade, and replace aging research facilities. Many VA facilities have run out of adequate research space. Ventilation, electrical supply, and plumbing appear frequently on lists of needed upgrades along with space reconfiguration. In the 2003 Draft National Capital Asset Realignment for Enhanced Services (CARES) Plan, VA plans included \$142 million designated for renovation of existing research space and build out costs for leased researched facilities. However, these capital improvement costs were left out of the Secretary's final report. Over the past decade only \$50 million has been spent on VA research construction or renovation and at only 24 of the 97 major VA research sites across the nation. **To address this shortfall, the AAMC recommends that Congress invest \$142 million in VA Research facilities improvements.**

Restore funding for the Title VII Health Professions Training Programs to the FY 2005 level of \$300 million: The health professions training programs under Title VII of the Public Health Service Act improve the supply, distribution, and diversity of the health professions workforce, with an emphasis on primary care and interdisciplinary training. With widespread shortages across health disciplines, funding for the Title VII programs supports training a new cadre of physicians and other health professionals to fill these existing job vacancies. Designed to address inefficiencies in the marketplace, the programs provide relief to an already strained health safety net by facilitating service in rural and underserved settings. The return on a relatively modest investment in the Title VII programs is amplified by the programs' far-reaching impact: the funding provides immediate support to training activities that prepare aspiring professionals to meet a critical workforce need, ultimately advancing the health and productivity of the nation. Yet, the programs have struggled to recover funding lost by a 51.5 percent (\$155 million) cut in FY 2006, forcing many of the programs to cease their activities. Restoring funding to Title VII will go a long way in bolstering the health care workforce while improving the health of the country. **The AAMC recommends \$106 million to restore Title VII to the FY 2005 level.**

Increase funding for the National Health Service Corps by \$76 million: The National Health Service Corps (NHSC) seeks to reverse health care shortages by providing incentives for physicians and other health professionals to serve in federally designated health professions shortage areas (HPSAs). With approximately 63 million people currently living in primary care HPSAs, the Health Resources and Services Administration (HRSA) estimates that an additional 30,000 practitioners are needed to achieve the target HPSA practitioner/population ratios. Through scholarships and stipends for students and loan repayment for fully trained primary care providers that agree to serve in HPSA sites, the NHSC has a proven track record of filling these vacancies. However, in the past five years, funding for the NHSC has been cut by \$47 million, over 27 percent of a budget that was already insufficient in FY 2003. Consequently, the NHSC has reduced annual scholarship and loan repayment awards by more than 25 percent during that period (from 1,351 awards in FY 2003 to 1,012 in FY 2007). At its current funding level, the NHSC is unable to award qualified loan repayment applicants, and HRSA is forced to turn away 13 practitioners in underserved areas for every accepted applicant. **To address these deficiencies and to assist communities in recruiting health professionals where they are needed most, the AAMC recommends an additional \$76 million for the National Health Service Corps.**

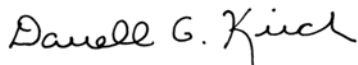
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Provide funding for the Public Health and Social Services Emergency Fund to support pandemic influenza preparedness and the Biomedical Advanced Research and Development Authority (BARDA): Congress is to be commended for its past investments for pandemic preparedness activities. However, there remain a number of outstanding initiatives that require additional funding, as outlined in the November 2005 National Strategy for Pandemic Influenza. For example, in FY 2008, the President requested \$363 million in one-time funding to supplement funds designated to date for vaccine and antiviral purchases, and for the development of rapid diagnostics. **The AAMC urges Congress to provide this funding to help complete the current commitment to treatment options.**

Additionally, a funding increase of \$473 million for BARDA, within the Office of the Assistant Secretary for Preparedness and Response, is essential to support advanced development and procurement of medical countermeasures for chemical, biological, radiological, and nuclear agents, as well as for pandemic influenza and other emerging infectious diseases. Insufficient funding has prevented BARDA from fully realizing its potential to encourage and facilitate research and development of new biomedical countermeasures, diagnostics, and related technologies. Additional funding for BARDA will support advanced research and development for many innovative biomedical products. **The AAMC recommends \$473 million for BARDA to support development and procurement of medical countermeasures for chemical, biological, radiological, and nuclear agents, as well as for pandemic influenza and other emerging infectious diseases.**

Sincerely,



Darrell G. Kirch, M.D.