



March 14, 2007

**Association of
American Medical Colleges**
2450 N Street, N.W., Washington, D.C. 20037-1127
T 202 828 0460 F 202 862 6161
www.aamc.org

Darrell G. Kirch, M.D.
President

The Honorable Bill Nelson
United States Senate
716 Hart Senate Office Building
Washington, DC 20510-0904

Dear Senator Nelson:

I write with respect to S.588, the "Resident Physician Shortage Reduction Act of 2007" on behalf of the Association of American Medical Colleges (AAMC). The AAMC represents all 125 accredited U.S. medical schools; approximately 325 non-federal major teaching hospitals and health systems, and 96 academic and scientific societies representing 109,000 medical school faculty members.

The AAMC very much appreciates your initiative to address the "cap" on the number of full-time equivalent allopathic and osteopathic residents that a hospital may count for Medicare direct graduate medical education (DGME) and indirect medical education (IME) payments. As you know, at the time the "cap" was legislated, almost a decade ago, physician workforce studies were forecasting a substantial over-supply of physicians. The growth and aging of our population now indicate a very different future. Ten years later the vast majority of health policy analysts and physician workforce researchers have concluded that these forecasts were in error. In fact, a number of states and physician specialties are reporting current shortages.

The AAMC has been monitoring and assessing the potential impact of the current and looming physician shortages. In June 2006, the Association adopted a policy position statement that recommends, in part, that "Enrollment in LCME-accredited medical schools should be increased by 30% from the 2002 level over the next decade."

The AAMC statement also recommends, "The aggregate number of graduate medical education (GME) positions should be expanded to accommodate the additional graduates from accredited medical schools." And the statement goes on to say, "For GME, in addition to stabilizing current support mechanisms, the current Medicare restriction on the number of funded residency positions must be eliminated so that sponsors of GME can respond to changes in medical school enrollment and other workforce dynamics."

The most recent data available indicate that even after the 2005 implementation of the Medicare Modernization Act's "Resident Limit Redistribution Program" over 400

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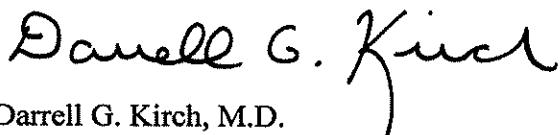
teaching hospitals are above their caps by an aggregate amount of more than 4500 positions. The AAMC believes the "Resident Physician Shortage Reduction Act of 2007" is a positive beginning that will help meet the nation's need for future physician services. We express our support for this important first step in what we hope will be an ongoing movement towards eliminating the Medicare resident cap.

The AAMC is well aware of the current constrained budget environment. That being the case, we do wish to be clear that financing this legislation from other cuts in Medicare payments in which we have an interest will be self-defeating and unacceptable. We are hopeful that Congress will work to maintain current levels of support related to GME in Medicare and Medicaid so there is no further deterioration of the academic medical community's ability to educate the nation's future physician workforce.

There is one aspect of the legislation about which we must express concern. We are concerned that too much discretion is given to the Secretary of HHS in making residency position allocation decisions under the bill. We believe this matter deserves further discussion and review and look forward to working with you and your staff to design a fair allocation process.

Once again, we thank you for your leadership in spotlighting this issue on the legislative agenda.

Sincerely,

A handwritten signature in cursive script that reads "Darrell G. Kirch". The signature is written in dark ink and is positioned above the typed name.

Darrell G. Kirch, M.D.