



May 30, 2008

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

The Honorable Charles Rangel
United States House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Darrell G. Kirch, M.D.
President and Chief Executive Officer

Dear Chairman Rangel:

On behalf of the Association of American Medical Colleges (AAMC), I write to express our strong opposition to the Centers for Medicare and Medicaid Services' (CMS) plan to eliminate the indirect medical education (IME) adjustment for teaching hospitals in the Medicare capital reimbursement system. These cuts would directly affect Medicare beneficiaries by reducing funding for the institutions that serve their unique and often complex needs.

The AAMC represents nearly 400 teaching hospitals and health systems and all 129 accredited U.S. and 17 accredited Canadian medical schools. The elimination of these payments threatens the fiscal viability of teaching hospitals because they serve a high volume of Medicare beneficiaries and provide many services unavailable elsewhere in the community. Major teaching hospitals also serve as safety net providers for their communities, accounting for nearly half of all charity care (45 percent) and one-quarter of Medicaid admissions despite representing only six percent of all hospitals. Any cuts to these institutions will affect their ability to fulfill these missions. When fully implemented, this rule will cut funding to teaching hospitals by at least \$354 million annually, including \$45 million in cuts to New York City hospitals alone.

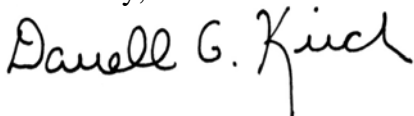
We strongly dispute CMS' justification for the cuts and their views that teaching hospitals' capital PPS payment levels are "too high" (72 Fed. Reg. at 47401). Positive margins are necessary and a desirable outcome of the capital PPS and, in our view, reflect that teaching hospitals are acting responsibly in terms of preserving payments for future capital needs. In addition, a decision to cut Medicare capital IME payments should not be viewed solely from a Medicare lens. Because major teaching hospitals' total margins often hover near zero, payment cuts from any source affect the fiscal condition of these institutions, which influence all aspects of their operations—operations that include providing education for a spectrum of health care professionals; providing an environment where clinical research can flourish; and offering highly specialized services to the community such as burn care, trauma care, and transplant services. Major teaching hospitals are also looked to as front-line responders in the event of biological, chemical, or nuclear attack and depend upon sufficient financial resources to fill that role.

Page 2
May 30, 2008
The Honorable Charles Rangel

CMS has not provided any analyses of the effect that the cuts may have on critical services provided to Medicare beneficiaries and others in the community, or their potential effect on medical education and research. Moreover, CMS has amplified the potential negative impact of the capital IME cuts by planning to implement them on the heels of the FY 2008 elimination of the 3% adjustment to capital payments for large urban hospitals, which affected many teaching hospitals; at a minimum, CMS must allow for sufficient time to thoroughly study the impact of such cuts.

The AAMC thanks you for your consideration of the critical need to stop the CMS plan to eliminate capital IME payments to teaching hospitals. If these cuts are implemented, the care and treatment Medicare beneficiaries receive will be in jeopardy given the fragile overall financial condition of many major teaching hospitals.

Sincerely,

A handwritten signature in black ink that reads "Darrell G. Kirch". The signature is written in a cursive, slightly slanted style.

Darrell G. Kirch, M.D.