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President and Chief Executive Officer

August 8, 2008

The Honorable Jim Marshall
United States House of Representatives
504 Canon House Office Building
Washington, D.C. 20515

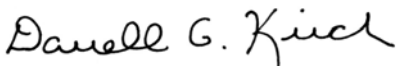
Dear Representative Marshall:

On behalf of the nearly 400 major teaching hospitals and health systems, 129 medical schools, and 94 academic and professional societies represented by the Association of American Medical Colleges (AAMC), I write to thank you for your leadership as a lead sponsor of the bi-partisan letter urging the Centers for Medicare and Medicaid Services' (CMS) to withdraw a proposal to eliminate the Medicare indirect medical education (IME) adjustment for capital costs in the inpatient prospective payment system (IPPS).

As you know, the IME adjustment made under the capital IPPS helps teaching hospitals maintain several unique missions, including training the next generation of physicians and providing the highest level of care available. The IME adjustment recognizes the financial demands of fulfilling these missions. Elimination of the IME adjustment under the capital IPPS will reduce funding for physician training programs and advanced clinical care in teaching hospitals by about \$375 million annually. CMS's decision to eliminate the capital IME adjustment is based on a capital margin analysis, and ignores the precarious financial situation of teaching hospitals as well as the capital expenditure cycle by which these institutions make capital purchasing decisions.

The AAMC thanks you for recognizing the importance of preserving the IME adjustment for capital costs. We pledge our continued support of efforts to prevent the elimination of the capital IME adjustment, and look forward to working with you and your colleagues to preserve the capital IME payments to teaching hospitals.

Sincerely,


Darrell G. Kirch, M.D.