



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

January 18, 2017

The Honorable Orrin Hatch
Chairman
Committee on Finance
U.S. Senate
Washington, DC 20510

Dear Chairman Hatch:

On behalf of the nation's medical schools and major teaching hospitals, I write to reiterate the Association of American Medical Colleges' (AAMC) commitment to informing policies that address opportunities and challenges in our health care system and to ensuring that all individuals receive the comprehensive insurance coverage and high-quality care they need.

We appreciate the interest of the Senate Finance Committee Republicans in soliciting input from Republican governors on how to best incorporate additional flexibility and innovation into the Medicaid program. To that end, the AAMC is committed to working with Congress to strengthen the Medicaid program, the low-income health program that provides health coverage to more Americans than any other type of insurance. As Congress considers changes to the Medicaid program and additional health care reforms, maintaining, and in some cases even improving, coverage and access for Medicaid beneficiaries to high-quality care will be essential.

The AAMC is a not-for-profit association dedicated to transforming health care through innovative medical education, cutting-edge patient care, and groundbreaking medical research. Its members comprise all 147 accredited U.S. medical schools; nearly 400 major teaching hospitals and health systems, including 51 Department of Veterans Affairs medical centers; and more than 80 academic societies. Through these institutions and organizations, the AAMC serves the leaders of America's medical schools and teaching hospitals and their nearly 160,000 faculty members, 83,000 medical students, 115,000 resident physicians, and thousands of graduate students and postdoctoral trainees in the biomedical sciences.

Teaching hospitals and their medical school faculty physicians achieve world-renowned heights of clinical excellence, while also tending to the basic needs of our nation's most vulnerable patients. Though they represent only 5 percent of America's hospitals, AAMC-member teaching hospitals (also known as academic medical centers) provide nearly 25 percent of all hospital care,

including 24 percent of all Medicaid inpatient visits and 20 percent of all Medicare inpatient visits, as well as deliver nearly 40 percent of the nation's charity care. These institutions are also committed to the nation and their communities as drivers of high-quality health care, pioneers of cures and treatments for diseases, leading employers, providers of safety net and critical emergency services, and partners in public health. We work for a just health care system for all, including rural and urban underserved populations, children, veterans, and seniors, among others.

This depth of experience and advanced capability mean teaching hospitals support efforts to ensure that Medicaid is a strong and reliable payer and source of robust coverage, and also that teaching hospitals are all too aware when these programs fall short of this goal. State Medicaid programs vary considerably; Congress must do more to ensure that this variation is used to innovate and improve health outcomes, and not inadvertently disadvantage patients and providers.

The AAMC urges Congress to adhere to the following principles when considering any potential changes to the Medicaid program:

- **Congress should protect states, taxpayers, and Medicaid beneficiaries by maintaining the Affordable Care Act's (ACA) Medicaid expansion.** Many states have achieved expansion using Medicaid waiver authority, which has allowed them to tailor programs according to state priorities. Repealing the Medicaid expansion would leave states with fewer resources, threatening not only patients but also the safety net providers who care for them. If the Congress wants to empower state decision making, the use of waiver authority combined with the resources provided by the ACA can successfully achieve this objective. Existing Medicaid Section 1115 demonstration authority already allows for considerable state flexibility and innovation. Indiana, for example, includes Health Savings Accounts (HSAs) as part of its Medicaid program to empower beneficiaries in prioritizing wellness activities. Nearly every state has experimented with managed care and other cost-containment strategies. Innovation for the betterment of beneficiaries cannot occur, however, when resources are scarce or unpredictable. Repealing the Medicaid expansion places these innovations and Medicaid beneficiaries at risk.
- **Congress should maintain the federal government's commitment to match state spending on medical care for Medicaid beneficiaries, without limits, caps, or block grants. Current eligibility levels and federal matching rates should be sustained.** Proposals to block grant or cap federal Medicaid spending would undermine the federal government's commitment to states and the health care needs of the most vulnerable. Setting fixed Medicaid budgets would mean states would be unable to accommodate the availability of new drugs or treatments, or weather downturns in the economy that necessitate increased enrollment. Congress should pursue policies that promote innovation and fiscal responsibility but not those that limit the federal government's commitment to Medicaid beneficiaries.

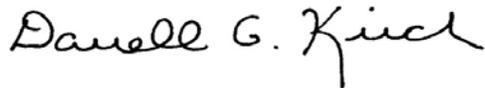
- **The federal government should ensure that Medicaid beneficiaries have meaningful access to high-quality care by maintaining and enforcing network adequacy requirements and mandating sufficient payments to providers.** One of the Medicaid program's recurring challenges is ensuring adequate access to timely, high-quality care. States should continue to innovate with new models of care delivery, especially ones that promote care coordination and population health, but within the parameters of clearly defined and enforced federal standards regarding network adequacy, timely access, and sufficient provider payments.
- **Congress should delay scheduled cuts to Medicaid disproportionate share hospital (DSH) payments.** The ACA included more than \$9 billion in cuts to the federal contributions to DSH, to be phased in beginning in FY 2014. Subsequently delayed, they are now scheduled to begin in September 2017. Cuts of this magnitude would devastate the health care safety net, including teaching hospitals around the country, which depend on these payments to help care for the 24 million Americans who remain uninsured despite the coverage expansions achieved by the ACA. Any increase in the number of uninsured coupled with Medicaid DSH cuts would cripple teaching hospitals' ability to ensure a strong health care safety net. Medicaid DSH cuts should be delayed until universal coverage is achieved.
- **Congress should permanently reauthorize the Children's Health Insurance Program (CHIP) and make CHIP funding permanent rather than subjecting it to the appropriations process.** Long championed by Chairman Hatch, CHIP – which covers over 8 million low-income children nationwide – enjoys strong, bipartisan support. Despite this support and its well-documented success, CHIP continues to be at risk because of the recurring need to reauthorize it every two to three years. The value of covering kids, for its own sake and for the long-term health of our nation, is unquestionable. The ongoing funding for this effective program achieving that aim should not be questioned either.

Medicaid is a lifeline for tens of millions of working families, individuals with disabilities, children with complex health needs, and low-income seniors with disabilities. The AAMC supports the laudable goals of efficiency, flexibility, and long-term health care cost containment but believes the best way to achieve this – for both the Medicaid program and health care generally – is by working to continue to reduce the growth in underlying health care costs. We look forward to engaging with Congress on this goal, as it will benefit not only the federal government but states and individuals as well.

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Please feel free to contact AAMC Chief Public Policy Officer Karen Fisher, JD (kfisher@aamc.org) or me if we can provide any additional information or answer any questions you might have.

Sincerely,

A handwritten signature in black ink that reads "Darrell G. Kirch". The signature is written in a cursive style with a large, prominent "K".

Darrell G. Kirch, MD
President and Chief Executive Officer

cc: The Honorable Ron Wyden