

Key Clinical Messages for Academic Medicine Leaders in the Budget Reconciliation Process

Background: On April 10, the House voted 216-214 to pass the Senate-amended budget resolution ([H. Con. Res. 14](#)), thereby unlocking the next phase of the reconciliation process. The compromise budget seeks to offset tax policies and address the debt ceiling through potential cuts to mandatory spending. Now that the House and Senate have agreed upon an identical budget resolution, committee leaders must now work to prepare and report legislation based on the spending directives they have been provided. The AAMC remains deeply concerned that spending changes enacted through this process could lead to unsustainable cuts to key federal health programs, and in particular, Medicaid and Medicare.

As the reconciliation process continues, **the AAMC urges our members to engage their congressional delegation and highlight the importance of core health care programs, including Medicaid and Medicare, as well as urge policymakers to preserve the tax-exempt status of non-profit teaching health systems and hospitals.**

As policymakers contemplate cuts to health care spending to offset other policy priorities, the AAMC would like to reiterate our core principles for a successful health care system:

- (1) Given the acute physician shortage facing the U.S., the AAMC calls on Congress to make necessary investments in the physician workforce and urges policymakers to strengthen, rather than undermine, federal support for graduate medical education.
- (2) The AAMC asks Congress to deliver appropriate Medicare and Medicaid reimbursement to providers to ensure network adequacy and access to care.
- (3) The AAMC supports access to robust and affordable health insurance coverage for all patients.

Below please find key messages and talking points to use as part of your conversations with members of your congressional delegation. Please feel free to enhance these talking points by including additional details about the local impacts of policies under consideration by lawmakers.

Medicaid

- The AAMC is deeply concerned by proposals to finance non-health care policies through dramatic cuts to the Medicaid program, which is a vital source of coverage and care for **over 70 million people**.¹
- AAMC-member teaching health systems and hospitals play a critical and unique role in caring for the Medicaid population – although our members comprise just 5% of hospitals nationwide, they account for **26% of Medicaid hospitalizations**.² Our

¹ <https://www.medicaid.gov/medicaid/program-information/medicaid-and-chip-enrollment-data/report-highlights/index.html>

² AAMC analysis of FY2022 American Hospital Association data, American College of Surgeons Level 1 Trauma Center designations, 2023, and the National Cancer Institute's Office of Cancer Centers, 2022. AAMC membership data, December 2023.

members' outsized role in caring for the underinsured comes at a great cost, creating a significant financial burden.

- Medicaid already fails to reimburse hospitals sufficiently for the care they provide, resulting in inadequate provider networks and limited access to care for enrollees. In 2020, hospitals received **just 88 cents** per every dollar spent caring for Medicaid enrollees.³
- Given the financial challenges facing safety-net teaching hospitals, the AAMC calls on Congress to reject devastating cuts to the Medicaid program, which would unavoidably strain state Medicaid budgets, resulting in cuts to provider reimbursement and coverage losses.
- As Congress seeks to identify budgetary offsets to support tax policies and other elements of President Trump's domestic policy agenda, the AAMC urges policymakers to:
 - Maintain the federal government's commitment to matching state Medicaid spending without reducing federal matching rates or imposing block grants or per-capita caps.
 - Maintain and strengthen access to care for the Medicaid population by preserving state-directed payments (SDPs). SDPs provide states with the flexibility they need to tailor investments in their Medicaid program, allowing them to recruit and retain a sufficient number and mix of providers.
 - Respect state autonomy and local decision-making by allowing states to leverage provider-based funding sources to help finance the non-federal share of SDPs.

Medicare GME

- The U.S. faces a projected physician shortage of up to **86,000 primary care and specialty physicians by 2036**, with demand rapidly outpacing supply.⁴ The nation's changing demographics will only further exacerbate this challenge in coming years.
- In fiscal year (FY) 2022, the cost to train residents across the country was nearly \$25 billion, of which Medicare supported \$5.88 billion in Medicare Direct Graduate Medical Education (DGME) payments, leaving teaching hospitals to shoulder the remaining **\$19 billion** in training costs.⁵
- Proposals to "reform" Medicare GME, such as by transforming it into a grant program, are simply repackaged cuts that will **harm access to care for all patients**, particularly those living in rural and underserved communities.
- Rather than pursue so-called "GME reforms," Congress should build upon recent bipartisan achievements by continuing to invest in Medicare-supported GME and further strengthening our nation's future physician workforce.

Hospital Outpatient Department (HOPD) Cuts

³ <https://www.aha.org/system/files/media/file/2020/01/2020-Medicare-Medicaid-Underpayment-Fact-Sheet.pdf>

⁴ <https://www.aamc.org/media/75236/download?attachment>

⁵ AAMC Analysis of FY2022 Medicare Cost Report data, July 2024 Hospital Cost Reporting Information System (HCRIS) release. If FY2022 data is not available, FY2021 data is used.

- The AAMC urges policymakers to reject so-called “site-neutral” payment policies that equalize payments at different sites of service. These policies would only **further exacerbate hospitals’ acute financial challenges** by cutting Medicare reimbursement for care delivered in off-campus hospital outpatient departments (HOPDs).
- Site-neutral payments would ignore the real difference between teaching health systems and hospitals’ HOPDs and other sites of care, including the greater clinical and socially complex patient population seen in teaching hospital HOPDs.
- This misguided policy would disproportionately target AAMC-member teaching health systems and hospitals, which are safety-net providers for the nation’s sickest, most complex, and most underserved patients. While accounting for just 5 percent of all U.S. hospitals, **AAMC members would shoulder nearly half of all cuts included under possible “site-neutral” policies.**⁶

Tax Exempt Status

- Although AAMC-member teaching health systems and hospitals provide a significant and disproportionate volume of both charity care and uncompensated care (**\$19 million in charity and \$32 million in uncompensated care annually per hospital**),⁷ this does not begin to adequately capture the extent of their contributions to their communities.
- AAMC-member teaching health systems and hospitals’ investments in their communities span far beyond just the provision of charity care. When making determinations about hospitals’ tax-exempt status, the AAMC urges policymakers to consider the wide-ranging benefits that not-for-profit health systems provide, including medical education and physician training, primary and specialty patient care, disaster response and vital stand-by capacity, lifesaving medical research, crucial social services, and other core programs.
- Teaching hospitals’ tax-exempt status reflects their critical role as **anchor institutions** and **core community assets**. Revoking or otherwise amending this tax exemption would force hospitals to reevaluate their continued ability to provide life-saving programs and services, including high-quality patient care, physician and workforce education and training, medical research, among others.
- Subjecting AAMC-member institutions to unequal scrutiny for tax-exempt status places their missions and the health of their patients, communities, and the nation’s health at risk.

340B

- Established in 1992, the 340B Drug Pricing Program allows certain safety-net health care providers, referred to as “covered entities,” to purchase covered outpatient drugs at a discount from manufacturers.
- As Congress seeks budgetary offsets to support non-health care spending priorities, the AAMC would like to remind policymakers and the public that 340B supports our health

⁶ AAMC Analysis of 2021 100% Medicare Standard Analytic File

⁷ AAMC analysis of a special tabulation using FY2022 American Hospital Association (AHA) data. AAMC membership data, December 2023.

care safety net at **no cost to the taxpayer** – the discounts are provided directly by the manufacturers.

- The AAMC opposes policies that would reduce reimbursement for drugs acquired through the 340B program, which would erode the savings available to safety-net providers and ultimately harm the patients and communities they serve.

Ensuring Access to Affordable Health Coverage

- The AAMC believes that access to high-quality, affordable health coverage for all people is critical to ensuring the health of patients and communities across the country. We strongly support extending enhanced marketplace premium tax credits, which are critical to ensuring that coverage remains affordable to middle-class families.
- Absent congressional action, these tax credits are set to expire at the end of 2025, which CBO has determined would result in 4 million people losing coverage.⁸
- Rather than allowing these credits to expire, or weakening them as part of budget reconciliation, the AAMC urges Congressional leaders to work in a bipartisan manner to extend these tax credits, enhance access to care, and improve the health of patients and communities.
- In addition to harming the nation's health, this would ultimately increase financial pressures on our member teaching health systems and hospitals and their affiliated physician faculty, which would place access to care at risk.

For additional information, please contact [Len Marquez](#), [Ally Perleoni](#), or [Sinead Hunt](#) in AAMC's Office of Government Relations.

⁸ <https://www.cbo.gov/system/files/2024-12/59230-ARPA.pdf>