Association of American Medical Colleges
Statement for the Record
before the
House Ways and Means Subcommittee on Oversight
hearing, titled
"Virtue Signaling vs. Vital Services:
Where Tax-Exempt Hospitals are Spending Your Tax Dollars"
September 16, 2025

The Association of American Medical Colleges (AAMC)[1] appreciates the opportunity to submit this statement for the record regarding the hearing entitled "Virtue Signaling vs. Vital Services: Where Tax-Exempt Hospitals are Spending Your Tax Dollars" before the House Ways and Means Subcommittee on Oversight on September 16, 2025. As always, the AAMC welcomes the chance to share the perspective of academic medicine and to work with you as you evaluate policies that will affect academic health systems and teaching hospitals and the patients and communities they care for nationwide.

Academic health systems and teaching hospitals play an indispensable role in their communities. They not only deliver cutting-edge patient care to the most complex patients but also train future physicians and members of the care team. The institutions are a fundamental, core community asset and use savings through tax exemptions not only to provide charity care but also to support their unique academic medicine missions of high-quality patient care, physician and workforce education and training, life-saving medical research, and community collaboration. Only in the academic medicine setting do these missions coalesce for the benefit of all patients.

At the same time, our members are operating under severe financial pressure. They continue to grapple with historic workforce shortages, unprecedented capacity challenges, inadequate reimbursement from payers, supply chain disruptions, rising expenses such as labor costs, pending cuts to the Medicaid program, and the looming risk of other harmful Medicare payment cuts. According to the Medicare Payment Advisory Commission, hospitals' overall fee-for-service Medicare margins fell to a record low of -11.6 percent in 2022, and this downward trend

[1] The AAMC is a nonprofit association dedicated to improving the health of people everywhere through medical education, clinical care, biomedical research, and community collaborations. Its members are all 160 U.S. medical schools accredited by the Liaison Committee on Medical Education; 13 Canadian medical schools accredited by the Committee on Accreditation of Canadian Medical Schools; nearly 500 academic health systems and teaching hospitals, including Department of Veterans Affairs medical centers; and more than 70 academic societies. Through these institutions and organizations, the AAMC leads and serves America's medical schools, academic health systems and teaching hospitals, and the millions of individuals across academic medicine, including more than 210,000 full-time faculty members, 99,000 medical students, 162,000 resident physicians, and 60,000 graduate students and postdoctoral researchers in the biomedical sciences. Through the Alliance of Academic Health Centers International, AAMC membership reaches more than 60 international academic health centers throughout five regional offices across the globe.

is expected to continue.[2] The recently passed One Big Beautiful Bill Act (OBBBA, P.L. 119-21) will also pose new challenges for our members as they contend with significant Medicaid payment losses and a potential increase in newly uninsured patients. Coupled with negative Medicare margins of -18%, academic health systems and teaching hospitals continue to be asked to do more with fewer resources, and many are near their breaking point.[3] This is directly reflected in recent activities to offset mounting losses caused by the loss of research funding and anticipated Medicaid cuts at AAMC member institutions. Since January 22, 2025, we have seen 12 members conduct layoffs, four members with unit closures or full closures, and one merger.

Tax policy has a direct impact on AAMC-member institutions. As the Committee evaluates revisions to federal tax law, we encourage you to consult with stakeholders like the AAMC.

Specifically, we urge Congress to:

- Pursue targeted revisions to IRS Form 990, Schedule H, in order to reflect a more complete understanding of community benefit; and
- Reject proposals that would eliminate or narrow the long-standing tax-exempt status of nonprofit hospitals.

Academic Health Systems and Teaching Hospitals are Cornerstones of Care and Community Service

Academic Health Systems and teaching hospitals are often the anchors of care in their regions, serving as referral centers for the most complex patients while also ensuring essential services remain available to everyone in their communities. They function as safety net providers, delivering a wide range of care that would otherwise go unmet, from trauma and burn units to neonatal intensive care, psychiatric care, and transplant services. Although they account for just 5% of all short-term, non-federal acute care hospitals nationwide, AAMC members comprise 100 percent of all National Cancer Institute (NCI)-designated comprehensive cancer centers, 75% of all burn unit beds, and 59% of all level-one trauma centers. Because of the invaluable services they provide, AAMC-member institutions fundamentally serve as quaternary and tertiary care facilities, serving patients seeking advanced levels of specialized care.[4]

In addition to these unique capabilities, teaching hospitals also serve a more medically and socially complex patient population than their non-teaching counterparts. As shown in the figure below, major teaching hospitals care for more dual eligibles, disabled, and non-white patients in the outpatient setting. In addition, AAMC-member institutions play an outsized role in our health care safety net. Although they account for just 5% of hospitals nationwide, AAMC members account for 29% of Medicaid inpatient days and 33% of charity care costs. These statistics

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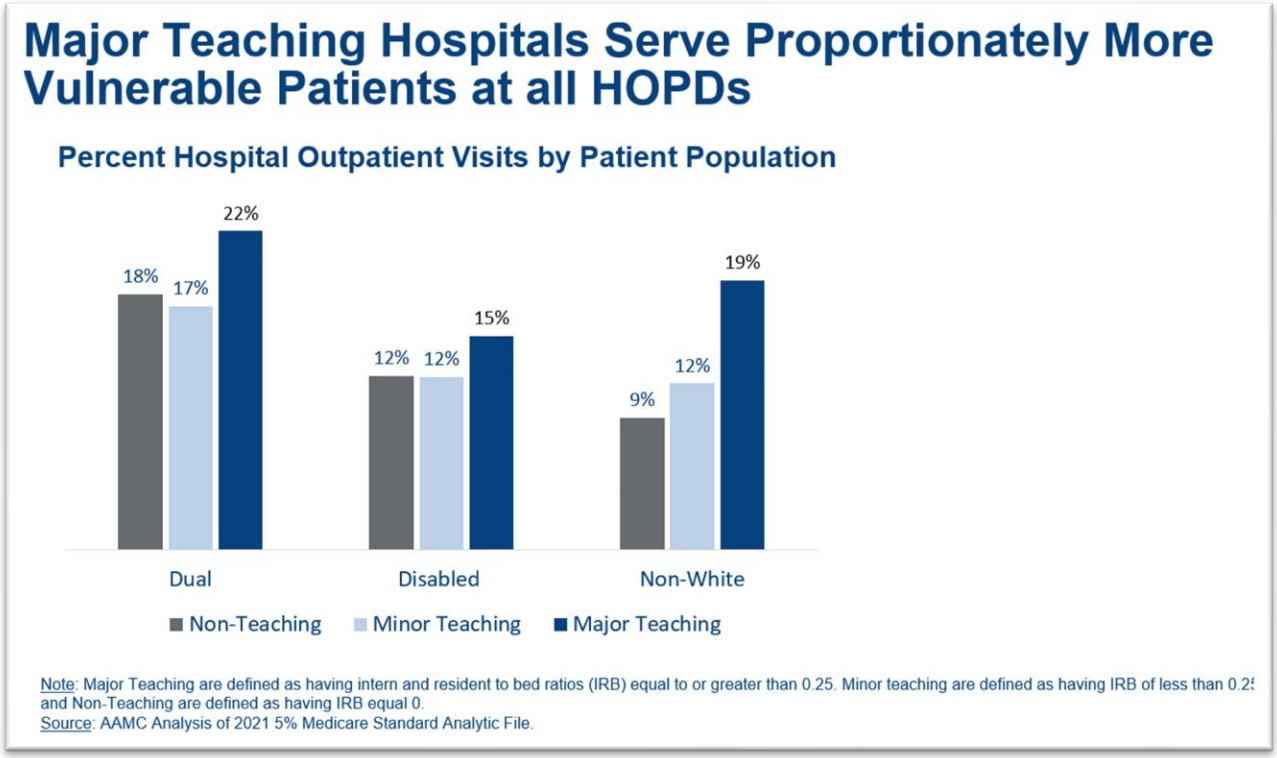
[2] Medicare Payment Advisory Commission, *December 2023 Report*, https://www.medpac.gov/wp-content/uploads/2023/03/Hospital-Dec-2023-SEC.pdf.

[3] AAMC analysis of FY2022 Hospital Cost Reporting Information System (HCRIS) released in July 2024. AAMC membership data, September 2024.

[4] AAMC analysis of FY2023 American Hospital Association data, American College of Surgeons Level 1 Trauma Center designations, 2024, and the National Cancer Institute's Office of Cancer Centers, 2024. AAMC membership data, December 2024.

demonstrate the academic medicine community's shared commitment to caring for the underserved. Our member institutions need to be supported in order to deliver this much-needed care.



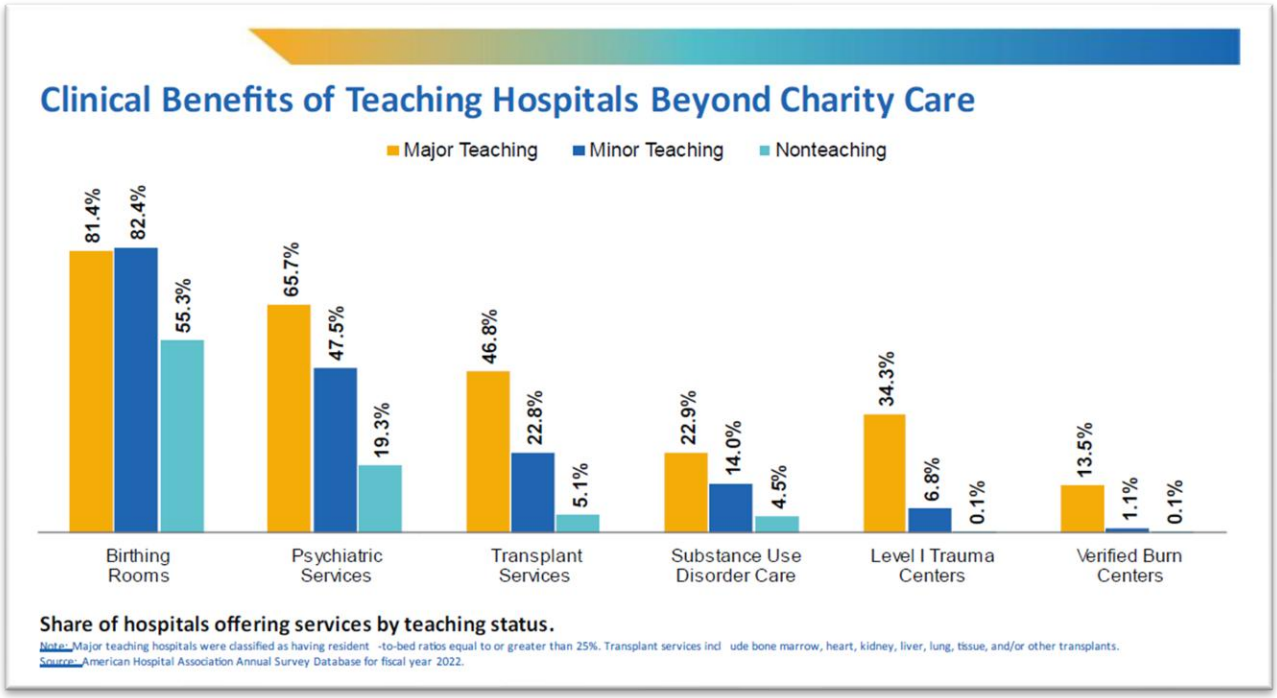
Even during periods of financial strain, academic health systems and teaching hospitals continue to uphold this commitment. They absorb the cost of caring for patients with little or no insurance, maintain readiness for public health emergencies, and ensure that highly specialized treatments are accessible in their region. For many patients, these institutions represent not only a place for routine care but also the only place where lifesaving, highly complex interventions are available.

Serving as Safety Nets to Patients and Other Hospitals and Offering Services Other Hospitals Will Not

Not only do AAMC-member institutions provide life-saving health care services to the most medically complex patients, but they also serve as a safety net to other health care providers across their community, state, and region. Due to their unique capabilities, teaching hospitals often receive transfers of seriously ill patients from other health care facilities, including non-teaching, community hospitals. Some researchers have hypothesized that this safety net function has positive spillover effects for patients across a given health care market, regardless of whether they are treated at a teaching hospital or another setting. One study found that the presence of a teaching hospital is associated with improved mortality outcomes and more healthy days at home

for patients treated at community hospitals.[5] Teaching hospitals are more likely to offer vital, low-margin services like labor and delivery, substance use disorder treatment, and inpatient psychiatric care. Because of these factors, while AAMC members account for just a small proportion of hospitals nationwide, they play a significant role in improving the quality of care.

A recent study by the AAMC highlights the role academic health systems and teaching hospitals play in addressing their community's health care needs by providing a full spectrum of clinical care, including less common or highly complex services across states or regions (as indicated in the chart below).[6] In the report, the authors also explained that AAMC-member health systems and teaching hospitals are in the top quartile of spending on community benefits.[7]



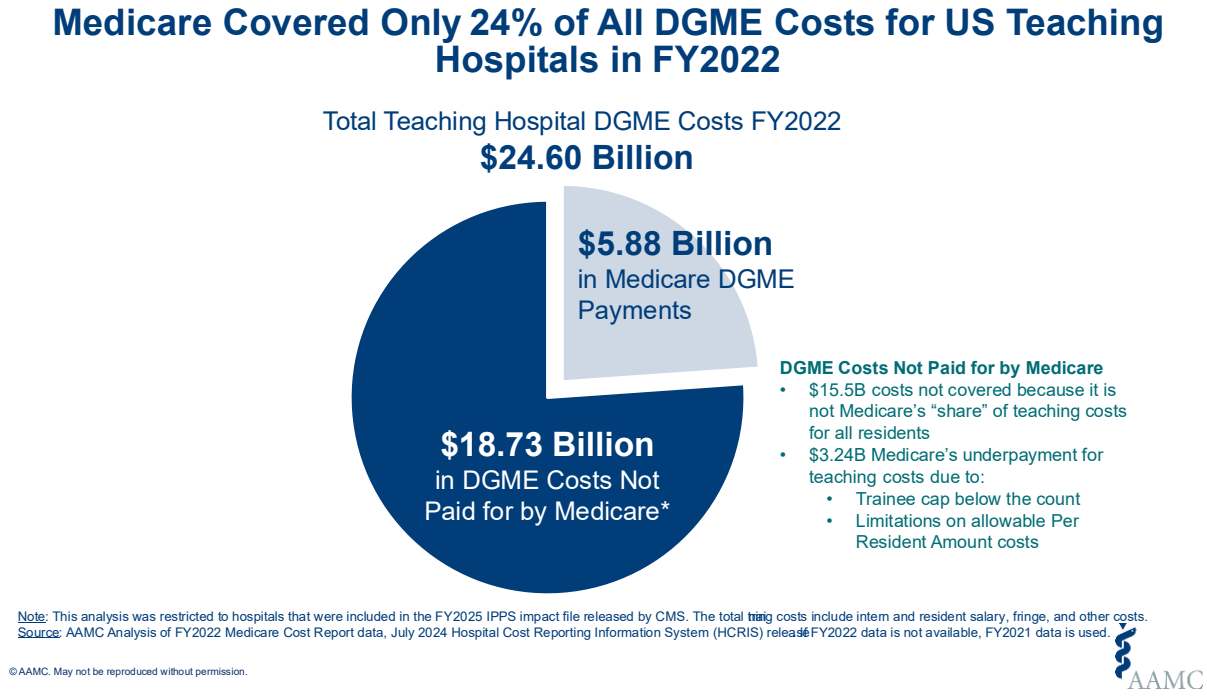
Educating the Next Generation of Physicians and Health Professionals

Graduate Medical Education (GME), or the supervised, hands-on training physicians must complete after medical school in order to become licensed and practice independently, is a defining function of academic health systems and teaching hospitals. The duration of this training varies by specialty, generally lasting three to five years for initial specialty programs, with additional subspecialty training extending the timeline to as much as 11 years after medical school. GME is a required step in the physician workforce pipeline. While teaching hospitals

[5] Burke, Laura G., Austin B. Frakt, Dhruv Khullar, E. John Orav, and Ashish K. Jha. "Association Between Teaching Status and Mortality in US Hospitals." *JAMA* 317, no. 20 (2017): 2105-2113.
[6] https://www.aamcresearchinstitute.org/our-work/data-snapshot/clinical-benefits-not-profit-health-systems
[7] Changes in teaching hospitals' community benefit spending after implementation of the Affordable Care Act. Acad. Med. 2018;93(10):1524-1530. doi:10.1097/ACM.0000000000002293

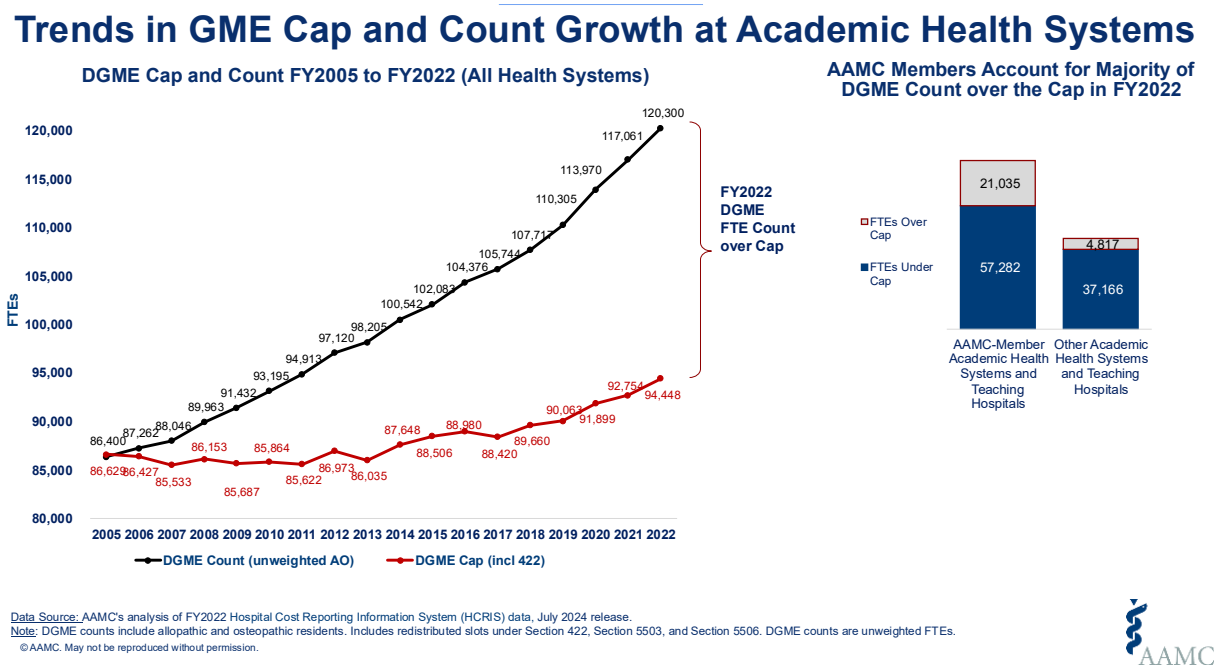
bear the largest share of the costs for GME and physician training, Medicare serves as the primary public funder. Medicare's support helps cover resident stipends and benefits, faculty supervision, and the added expenses of operating training programs. However, the Balanced Budget Act of 1997 imposed hospital-level caps on Medicare GME funding, effectively freezing the number of supported residency slots for almost 30 years and creating a significant bottleneck in physician workforce growth.

In collaboration with the nation's medical schools, AAMC-member health systems and teaching hospitals, although only 5% of all inpatient hospitals in the United States, train 70% of all residents. Their contribution to physician training is disproportionate to their numbers and requires ongoing support. Collectively, these institutions train about 77,000 residents nationwide, producing the bulk of both primary care and specialty physicians. They also play a vital role in providing care to underserved and rural communities. Of these trainees, Medicare funds about 57,000, leaving nearly 20,000 residents whose training costs are fully borne by teaching hospitals themselves. Each year, academic health systems and teaching hospitals spend nearly $25 billion on physician training but receive only about $5.88 billion in reimbursement from Medicare—just 24% of the total cost—leaving nearly $19 billion unfunded. Despite these financial pressures, AAMC-member institutions consistently train well beyond their Medicare caps because of their commitment to patients, communities, and their broader missions.



That commitment persists even as fiscal challenges grow. A recent review of Medicare cost report data shows that Direct Graduate Medical Education (DGME) full-time equivalent (FTE)

counts have steadily risen each year, far surpassing increases in approved DGME FTE caps. Today, 90% of AAMC-member teaching hospitals are training above their cap. Among hospitals that exceed their cap by at least 100 FTEs, 95% are AAMC members, training an average of 185 FTEs above the cap. These academic health systems not only provide essential medical education but also drive groundbreaking research, deliver advanced patient care, and engage in critical community partnerships. Their substantial role in training physicians above Medicare caps underscores their ongoing dedication to serving patients, communities, and the nation as a whole.



Data Source: AAMC's analysis of FY2022 Hospital Cost Reporting Information System (HCRIS) data, July 2024 release.
Note: DGME counts include allopathic and osteopathic residents. Includes redistributed slots under Section 422, Section 5503, and Section 5506. DGME counts are unweighted FTEs.

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Advancing Research and Discovery

Communities across the nation benefit from the education and training missions of teaching hospitals, even if they do not have a medical school or teaching hospital in their immediate area. Beyond their central role in residency training, these institutions often serve as the clinical training sites where medical students begin their first hands-on patient care experiences, which are required before they move into residency. Because of this vital role, the training environment within academic health systems is unique: learners engage in interdisciplinary and interprofessional teams; gain experience with diverse patients, conditions, and care settings; contribute to groundbreaking discoveries and innovations in treatment; and develop advanced critical thinking skills fostered by a culture of continuous improvement. Academic health systems are recognized globally as the standard for physician training, helping to advance patient safety, quality of care, and access. Simply put, there is no better environment to prepare future physicians for the realities of patient care, and graduates of these programs go on to serve communities in every corner of the country.

At the same time, the highly interactive nature of physician education makes it expensive, and medical school tuition covers only a portion of the overall costs. Academic health systems and teaching hospitals frequently collaborate with medical schools to sustain this mission. If these hospitals and systems were forced to cut back their contributions, the ripple effect would jeopardize medical education and reduce access to care for families across the nation. Already, many medical education programs face challenges securing clinical training sites and finding enough qualified preceptors who can balance teaching responsibilities alongside patient care. Some states have implemented creative approaches, such as offering tax credits to physicians who serve as preceptors, to help alleviate immediate strain. Still, long-term stability will require policies that reinforce the strength and sustainability of academic health systems and teaching hospitals.

Advancing Research and Transforming Patient Care

In addition to supporting the educational mission of medical schools, academic health systems and teaching hospitals are central to the nation's medical research enterprise. Nearly every diagnostic tool, treatment, and preventive measure in use today can be traced back to research funded by the National Institutes of Health (NIH). Roughly 60% of NIH's externally funded research is conducted at AAMC-member institutions across the United States. These institutions drive progress in preventing, diagnosing, and treating conditions that affect patients and families everywhere, from cancer and Alzheimer's disease to diabetes and countless others. Beyond making discoveries, academic health systems also translate research into practice, delivering world-class patient care informed by the most up-to-date scientific evidence. In short, our members both generate the medical breakthroughs of tomorrow and ensure that patients benefit from these advances today.

Although NIH and other entities provide critical research funding, academic medicine itself invests heavily in discovery. For every federal dollar awarded, our members contribute an additional $0.53 from their own resources.[8] For patients awaiting a cure for a devastating illness, a less burdensome treatment option, or the promise of longer, healthier lives, the research and innovations supported by academic medicine represent a vital community benefit.

Paying an Essential Role in Disaster Response

When crises arise, the academic medicine community stands ready to act, whether responding to everyday emergencies like car accidents or large-scale disasters. Access to advanced trauma care can mean the difference between life and death. Nearly =-60% of the nation's Level 1 trauma centers are operated by AAMC-member institutions.[9] According to the Centers for Disease

[8] Academic Medicine Investment in Medical Research: Summary and Technical Reports, Association of American Medical Colleges, 2015.

[9] 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.

Control and Prevention (CDC), patients with severe injuries who are treated at a Level 1 trauma center have a 25% higher likelihood of survival compared to those treated elsewhere.[10] AAMC members also accept a higher share of patient transfers from community and non-teaching hospitals.[11] These facilities are uniquely equipped to handle the most complex trauma cases, requiring around-the-clock access to surgical teams, radiology and laboratory services, and a wide array of specialists. They must be capable of treating the full range of injuries without delay, participate in regional trauma system planning, and engage in prevention activities, such as community education.

Level 1 trauma centers must also operate residency programs to train future trauma experts and support research programs that continuously improve care. Because of these extensive responsibilities, academic teaching hospitals are particularly well-positioned to deliver the nation's highest level of trauma services.

Maintaining these trauma centers reflects members' broader missions of patient care, education, research, and community service. However, the significant costs of constant readiness and emergency preparedness are not always recoverable. Trauma centers must treat all patients, regardless of their ability to pay, and traditional billing systems often fail to cover the additional expenses these facilities incur. Serving a high proportion of uninsured and underinsured patients further compounds the financial strain of providing this indispensable care.

Driving Economic Growth

Through their roles in workforce training, advanced patient care, innovative research, and community health initiatives, AAMC-member institutions act as major economic engines for the regions they serve. A recent AAMC analysis of the economic contributions of member medical schools and teaching hospitals underscores their broad impact: combined, their education, patient care, and research activities contribute more than $728 billion to the U.S. economy, about 3.2% of gross domestic product (GDP), and support over 7 million jobs nationwide.[12]

Research conducted at these institutions alone represents a significant economic force. The study found that medical research activity at academic health systems and medical schools added $33 billion to the nation's GDP, generated $21 billion in labor income, and supported approximately 348,000 jobs across the country.[13] These findings highlight that, in addition to their indispensable health missions, academic health systems play a critical role in sustaining the economic vitality of their communities.

Comprehensive Community Impact of Academic Health Systems and Hospitals

Community benefit encompasses far more than charity care alone, and focusing narrowly on

[10] Centers for Disease Control and Prevention (CDC): http://www.cdc.gov/traumacare/access_trauma.html
[11] AAMC analysis of Medicare claims data, 2021. AAMC membership data, December 2023
[12] https://www.aamc.org/data-reports/teaching-hospitals/data/economic-impact-aamc-medical-schools-and-teaching-hospitals
[13] Ibid.

charity care overlooks the substantial investments AAMC-member teaching hospitals and health systems make in their communities and in the nation at large. While our members provide a disproportionate share of charity care and uncompensated care, with a median of nearly $20 million in charity care and over $33 million in uncompensated care annually per hospital, these figures do not reflect additional losses from Medicare and Medicaid underpayments or the cost of maintaining specialized services that are essential but often not self-sustaining.[14] Additionally, our institutions collectively invest more than $18 billion each year to train resident physicians and dedicate significant resources to supplement federal medical research funding. Subjecting AAMC-member institutions to unequal scrutiny regarding their tax-exempt status risks undermining their ability to sustain community health initiatives nationwide.

As outlined throughout this statement, academic medicine delivers value that extends well beyond the walls of hospitals. The interconnected missions of patient care, education and training, research, and community service work in concert to improve health outcomes across the country. Any policy changes that weaken one of these areas will inevitably diminish the impact of the others. As Congress considers updates to federal tax law, we urge the Committee to engage with stakeholders in crafting thoughtful revisions to IRS Form 990, Schedule H; establish a more inclusive definition of community benefit; and reject efforts to curtail or eliminate the tax-exempt status of nonprofit hospitals.

We appreciate the opportunity to offer our perspective and look forward to working with the Subcommittee as it considers policies that affect the nation's health care system, medical education, and public health. For further questions, please contact Len Marquez, AAMC senior director of government relations and legislative advocacy, at lmarquez@aamc.org.

[14] AAMC analysis of FY2022 American Hospital Association data. AAMC membership data, December 2023.