

November 3, 1999

The Honorable Trent Lott
Majority Leader
United States Senate
S-208 Capitol
Washington, D.C. 20510

Dear Mr. Leader:

We, the undersigned organizations, write to request your support for providing relief from the Balanced Budget Act of 1997 (BBA) to teaching hospitals. Specifically, we ask you to accept provisions included in BBA relief legislation adopted by the Senate Finance Committee which freeze the reductions in special payments to teaching hospitals - the Medicare Indirect Medical Education (IME) payment.

As you know, the BBA contains some of the most significant changes for teaching hospitals since the beginning of Medicare. Chief among the BBA's changes include a 29% reduction in Medicare IME payments over four years. A payment specific to teaching hospitals, the IME adjustment carries a "medical education" label reimbursing teaching hospitals for the higher costs associated with physician training, but its purpose is much broader:

This adjustment is provided in light of doubts...about the ability of the DRG case classification system to account fully for factors such as severity of illness of patients requiring the specialized services and treatment programs provided by teaching institutions and the additional costs associated with the teaching of residents....The adjustment for indirect medical education costs is only a proxy to account for a number of factors which may legitimately increase costs in teaching hospitals (House Ways and Means Committee Rept, No. 98-25, March 4, 1983 and Senate Finance Committee Rept, No. 98-23, March 11, 1983).

We are concerned that the BBA's reductions to Medicare's IME and other general hospital payments, combined with current market place phenomena, are causing an immediate financial crisis at many teaching hospitals across the country. Hospital financial performance margin analyses have concluded that the BBA may reduce teaching hospitals' total margins to zero or below. Many teaching hospitals have already reduced their work forces due to their dire financial circumstances; others are in the process of planning to reduce personnel. What's more, teaching hospitals in every region of the nation are now considering scaling back such key community services as poison control centers, hospital services for the uninsured, clinical research activities and education and training for medical students and residents.

Left unchecked, the BBA's Medicare cuts to teaching hospitals could force some of the nation's teaching hospitals to reduce the scope of their special and unique community services. As teaching hospitals have the additional roles of providing clinical education

for all types of health professionals, an environment in which clinical research can flourish, and highly specialized patient care, the BBA's payment reductions could prevent teaching hospitals from being able to support these missions, perhaps preventing the sickest from being cared for and the newest and most advanced services and equipment from being brought to the bedside.

The Senate IME provisions in "Medicare, Medicaid, and S-CHIP Adjustment Act of 1999" would go a long way in ameliorating some of the BBA's disproportionate cuts to teaching hospitals and is an important first step. We thank you for your leadership to refine the BBA and look forward to working with you to ensure that America's teaching hospitals will be able to continue to carry out their unique societal roles to train our nation's future health care professionals, sustain the environment essential for research advances and cutting edge care, maintain key standby and special services, and provide care for the uninsured.

We appreciate the opportunity to provide our views as you deliberate on this complex and important issue.

Sincerely,

American Academy of Facial Plastic and Reconstructive Surgery
American Academy of Family Physicians
American Academy of Otolaryngology—Head and Neck Surgery, Inc.
American Academy of Ophthalmology
American Academy of Pediatrics
American Association of Colleges of Osteopathic Medicine
American Association of Colleges of Podiatric Medicine
American Association of Dental Schools
American Association of Neurological Surgeons
American Association of Orthopaedic Surgeons
American College of Cardiology
American College of Emergency Physicians
American College of Obstetricians and Gynecologists
American College of Osteopathic Surgeons
American College of Physicians-American Society of Internal Medicine
American College of Surgeons
American Geriatrics Society
American Hospital Association
American Medical Group Association
American Osteopathic Healthcare Association
American Pediatric Society
American Psychiatric Association
American Society for Gastrointestinal Endoscopy
American Society of Anesthesiologists
American Society of Hematology
American Society of Nephrology

American Society of Transplantation
American Urogynecologic Society
Association of Academic Health Centers
Association of American Medical Colleges
Association of American Universities
Association of Departments of Family Medicine
Association of Family Practice Residency Directors
Association of Hospital Medical Education
Association of Medical School Pediatric Department Chairs
Association of Osteopathic Directors and Medical Educators
Association of Professors of Medicine
Association of Program Directors in Surgery
Association of Subspecialty Professors
College of American Pathologists
Congress of Neurological Surgeons
Federation of American Health Systems
Medical Group Management Association
National Association of Children's Hospitals
National Association of Public Hospitals and Health Systems
National Health Council
Premier
Society of Critical Care Medicine
Society of Gynecologic Oncologists
Society of Maternal-Fetal Medicine
Society for Pediatric Research
Society of Teachers of Family Medicine
VHA Inc.