



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

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The Honorable Kent Conrad
Chair, Committee on the Budget
United States Senate
Washington, DC 20510

The Honorable Judd Gregg
Ranking Member, Committee on the Budget
United States Senate
Washington, DC 20510

The Honorable John Spratt
Chair, Committee on the Budget
United States House of Representatives
Washington, DC 20515

The Honorable Paul Ryan
Ranking Member, Committee on the Budget
United States House of Representatives
Washington, DC 20515

Dear Budget Conferees:

On behalf of the Association of American Medical Colleges (AAMC) I write in regard to the House- and Senate-passed budget resolutions for fiscal year (FY) 2010 (H.Con.Res.85 and S.Con.Res.13). The AAMC is a not-for-profit association representing all 130 accredited U.S. medical schools; nearly 400 major teaching hospitals and health systems, including 68 Department of Veterans Affairs (VA) medical centers; and nearly 90 academic and scientific societies. Through these institutions and organizations, the AAMC represents 125,000 faculty members, 75,000 medical students, and 106,000 resident physicians.

The following provisions of the House and Senate budget resolutions are of particular concern to medical schools and teaching hospitals as well as their faculty and students:

Health Care Reform

House Sec. 201(a) and Sec. 301; Senate Sec. 201

Recommendation: Include in the final conference agreement a deficit-neutral reserve fund for health care reform as proposed under House Sec. 301 and Senate Sec. 201 without reference to “geographic variations in spending.”

The U.S. health care system faces a crisis of access, cost, and quality that must be addressed now. However, expedience should not come at the expense of thorough consideration that balances the needs of all facets of our health care system. The AAMC recognizes the importance of completing comprehensive health care reform and has developed principles to help guide these discussions. The AAMC’s reform principles are available at:
<http://www.aamc.org/newsroom/pressrel/2008/081028.htm>.

The AAMC and its member institutions—who deliver approximately one fifth of all clinical care in this country and 41 percent of all charity care—are committed to helping design and

implement an improved delivery system and to educating and training the workforce necessary to assure access to high quality care. In light of its significant role in the delivery of health care, the AAMC believes that the academic medical community must play an integral role in identifying and implementing health care reform.

The AAMC appreciates the House and Senate deficit-neutral reserve funds for health care reform (House Sec. 301, Senate Sec. 201). This deficit-neutral reserve fund should not jeopardize or destabilize the ability of academic medicine to fulfill its mission of providing the highest quality clinical care, research, and discovery and the training of the next generation of health care professionals who will be needed to transition into the vision of this new health care system. Recognizing the importance of fiscal discipline and congressional pay-as-you-go policies, the AAMC urges Congress to maintain at current levels the Medicare Direct Graduate Medical Education (DGME) and Indirect Medical Education (IME) payment levels. Given these times of increasing financial uncertainty for teaching hospitals, it is important that the Medicare program adhere to its commitment made in 1965 and reaffirmed in 1983 to maintain the costs of workforce training and the environment where educational, research, and patient care missions of teaching hospitals can occur together.

Senate Sec. 201(b)(4) references Medicare payments policies that address “geographic variations in spending” as described by the Dartmouth Atlas of Health Care. While helpful, the Dartmouth Atlas raises more questions than it answers. Preliminary findings of the Urban Institute cast doubt on both the magnitude of the geographic spending variations and the source of the variations that Dartmouth researchers have found. The Urban Institute analysis of spending for individual patients who live in different geographic areas suggests that variations in individual characteristics, especially patient’s underlying health status and a range of socio-economic factors, including income and the presence of supplemental insurance, account for almost all of the explainable variation. If the geographic variations are real, we need to understand and address the underlying issues before making policy decisions that may unintentionally hurt vulnerable patients.

The AAMC echoes the statement of Robert A. Berenson, M.D., Senior Fellow at the Urban Institute, in his April 1, 2009 testimony before the House Committee on Ways and Means:

There remains too much uncertainty about the Dartmouth findings to ground public policy on them, such as limits on provider supply or caps on Medicare spending in high-cost areas ... Medicare payment systems already adjust payments for geographic differences in the costs of inputs, such as wage rates, in determining prices to pay across the country. We need to better understand the differences in practice patterns before we can target specific policy interventions based on geography.

Medicare Physician Payments

House Sec. 314

Recommendation: Include in the final conference agreement House Sec. 314 to establish a current policy reserve fund to facilitate replacement of the flawed sustainable growth rate (SGR) formula used to calculate Medicare physician payments.

Under the current SGR methodology, physicians face a 21 percent payment cut effective January 1, 2010. House Sec. 314 clears a pathway to resolving the problematic SGR methodology. Such action is vital to preserving Medicare beneficiary access to high quality physician services, particularly as Congress considers options for broad health care reform.

Physician payment relief is also critical to the fiscal well-being of the nation's medical schools. The clinical faculty at medical schools account for nearly one-sixth of all physicians in the Medicare system. Additionally, since payments for faculty physician services represent over one-quarter of all medical school revenue, any reduction in Medicare payments would have a direct and immediate impact on overall funding for medical education. This is of particular concern as the nation attempts to address a growing shortage of physicians.

Veterans Health Administration Health Professions Recruitment

Senate Sec. 236

Recommendation: Include in the final conference agreement Senate Sec. 236 to establish a deficit-neutral reserve fund to increase health care professionals in the Veterans Health Administration.

The AAMC supports allocating funds to increase the number of health care professionals in the Department of Veterans Affairs (VA) and enhance incentives for recruitment such as the VA's Education Debt Reduction Program (EDRP), which provides newly appointed VA health care professionals with educational loan repayment awards.

Concerns about physician staffing at the Veterans Health Administration come at the same time the nation faces a pending shortage of physicians. Many areas of the country and a number of medical specialties are already reporting a scarcity of physicians. An acute national physician shortage would have a profound effect on access to VA health care, including longer waits for appointments and the need to travel farther to see a doctor.

Advanced Appropriations for Veterans Affairs Medical Care and Research

Senate Sec. 302(b)

Recommendation: Include in the final conference agreement Senate Sec. 302(b) to exempt the Department of Veterans Affairs (VA) medical care and research programs from points of order against advanced appropriations.

Consistent with the *Independent Budget* veterans service organizations and the Friends of VA Medical Care and Health Research (FOVA) coalition, the AAMC encourages Congress to reform VA's medical care and research budget to allow advanced appropriations, providing funding for veterans' health care one year or more in advance of the operating year. The AAMC appreciates Senator James Inhofe's amendment for this purpose and applauds its co-sponsors, Senate Veterans Affairs Committee Chair Daniel Akaka, Ranking Member Richard Burr, and Senators John Thune and Lisa Murkowski.

Delayed funding for VA health care jeopardizes VA's ability to provide quality and timely health care services to all eligible veterans. Similarly, unpredictable funding with arbitrary peaks and

valleys for the VA Medical and Prosthetic Research program impedes important VA research on national priorities, including post-traumatic stress disorder (PTSD), traumatic brain injury (TBI), amputations, poly-trauma, burns, and a variety of other acute and chronic health conditions long prevalent in the veteran population. VA research administrators and investigators are understandably reluctant to expand their research endeavors as this record of inconsistent funding can quickly devastate plans for growth or cause interruptions and even cancellations of ongoing projects.

Increased Funding for Health Professions Training

Senate Sec. 243

Recommendation: Include in the final conference agreement the \$235 million for the National Health Service Corps (NHSC) as permitted under S.Con.Res.13 and \$330 million for health professions training programs authorized under Title VII of the Public Health Service Act. Also include in the final conference agreement Senate Sec. 243 to establish a deficit-neutral reserve fund to ensure this increased NHSC funding.

The AAMC strongly supported S. AMDT. 841 to increase NHSC funding to \$235 million in FY 2010 and thanks its co-sponsors, Senators Lisa Murkowski, Patty Murray, Michael Bennet, Jon Tester, John Thune, Jeff Bingaman, and Amy Klobuchar. The AAMC believes that the Senate's increased budget level for health programs commensurate with S. AMDT. 841 should be included in the final conference agreement.

Furthermore, the AAMC supports Senate Sec. 243, which establishes a deficit-neutral reserve fund to ensure that these funds are available for the NHSC, and acknowledges Senators Orrin Hatch and Edward Kennedy for their leadership in creating the fund.

The NHSC is widely recognized (both in Washington and in the underserved areas it helps) as a success on many fronts. It improves access to health care for the growing numbers of underserved Americans, provides incentives for practitioners to enter primary care, reduces the financial burden that the cost of health professions education places on new practitioners, and helps ensure access to health professions education for students from all backgrounds.

While the "American Recovery and Reinvestment Act of 2009" (P.L. 111-5) provides an important boost over the next two years, the NHSC estimates it will result in at most 4,250 additional NHSC practitioners, far short of the estimated 30,000 field strength that would begin to meet the needs of the nation's underserved areas. Furthermore, these additional practitioners will be lost in future years if the NHSC is unable to fund award continuations or maintain the same level of new annual awards.

Steady and sustainable annual appropriations are necessary to ensure that the NHSC can provide sufficient annual awards to support an ongoing field strength that will help to meet the nation's primary care workforce needs in underserved areas. In concert with a group of 29 concerned NHSC stakeholder associations, the AAMC recommends a budget level of \$235 million for the NHSC in FY 2010.

Additionally, the AAMC recommends a budget level of at least \$330 million for the Title VII health professions training programs. These programs improve the supply, distribution, and diversity of the health professions workforce, with an emphasis on primary care and interdisciplinary training. Recent studies indicate that Title VII trainees are more likely to serve in the NHSC and in underserved settings such as community health centers. The AAMC thanks Congress for the health professions funds provided in ARRA; once this funding is allocated, we expect that it will help to partially reverse drastic funding cuts to the programs in FY 2006. The AAMC recommends a budget level of at least \$330 million for Title VII in FY 2010 to help sustain this expansion of the workforce in a way that is consistent with both the needs of the nation and the President's commitment to strengthening the health workforce.

Promoting American Innovation and Economic Competitiveness

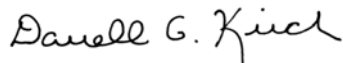
House Sec. 603

Recommendation: Include in the final conference agreement a Sense of the Congress that sufficient investments should be made in Function 550 (Health) as called for by House Sec. 603.

The AAMC supports the Sense of the House that Congress should provide sufficient investments to enable our nation to continue to be the world leader in education, innovation, and economic growth, building on the funding provided in the Recovery package for scientific research and education in Function 550 (Health), among others. The AAMC believes that a Function 550 increase of at least \$7.4 billion (1.9 percent) is needed in FY 2010 to accomplish the core missions and activities of the major federal public health agencies. While the AAMC appreciates the increases for Function 550 provided under H.Con.Res.85 and S.Con.Res.13, these levels both fall \$3.7 billion short of the recommended \$387.6 billion.

Federal public health programs have never been more important as the nation struggles to overcome the devastating effects of the deepening recession. The Function 550 programs and agencies—such as the National Institutes of Health (NIH), the Health Resources and Services Administration (HRSA), and the Centers for Disease Control and Prevention (CDC)—have played a vital role in providing safety net services, lowering health care costs, and providing skilled jobs in healthcare technology and biomedical and behavioral research.

Sincerely,


Darrell G. Kirch, M.D.