



Via Federal Express

April 13, 2005

Mr. Glenn M. Hackbarth, J.D. 64275 Hunnell Road Bend, OR 97701

Re: Medicare IME Payments Associated with Medicare Advantage Enrollees

Dear Mr. Hackbarth:

On behalf of the Association of American Medical Colleges (AAMC) and the American Hospital Association (AHA), we write to urge MedPAC to reaffirm the Commission's position that Medicare pay teaching hospitals directly the indirect medical education (IME) payments associated with Medicare Advantage enrollees. This view was expressed in MedPAC's 2002 March Report when the Commission stated that IME and direct graduate medical education payments associated with Medicare managed care enrollees should be paid directly to teaching hospitals. The AAMC represents approximately 320 major non-federal teaching hospitals and health systems; all 125 accredited U.S. allopathic medical schools; 96 professional and academic societies; and the nation's medical students and residents. The AHA represents over 4,700 member hospitals, health care systems, and other health care provider members, and 31,000 individual members.

Section 212(c) of the Medicare Modernization Act (MMA) requires MedPAC to study and report on the method for determining the adjusted average per capita cost (AAPCC), a key component in determining the payment rates for Medicare Advantage plans. According to the MMA and explanatory provisions, the AAPCC is to be based on 100 percent of fee-for-service costs, including IME payments but excluding DGME payments.

Since the implementation of the Balanced Budget Act of 1997 (BBA), Medicare has directly paid teaching hospitals the IME and DGME payments associated with managed care enrollees. These payments help support the higher patient care and residency educational costs of teaching hospitals. They are separate and distinct from the negotiated payments that teaching hospitals receive from managed care plans. As Congress recognized, by having the Medicare program make these payments directly to teaching

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hospitals, these hospitals can compete more effectively with nonteaching hospitals for Medicare managed care contracts.

The Commission also recognized the necessity of making IME and DGME payments directly to teaching hospitals, as discussed in MedPAC's March 2002 Report to the Congress: "Continuing the carve-out ... allows teaching hospitals to compete with lower-cost community hospitals" (page 128).

We urge MedPAC to reaffirm the Commission's position as set forth in 2002, and which has been the law since 1997. The role of negotiation between Medicare managed care plans and teaching hospitals has not changed since 2002. Consequently, the need for teaching hospitals to be paid directly the IME payments associated with Medicare managed care enrollees still exists.

Thank you for the opportunity to present our views. If you have any questions, please feel free to contact Karen Fisher, Senior Associate Vice President of the AAMC at 202-862-6140 or Danielle Lloyd, Senior Associate Director of the AHA at 202-626-2340.

Sincerely,

Robert Dickler, Senior Vice President Division of Health Care Affairs Association of American Medical Colleges

Vice President of Policy American Hospital Association

cc: Mark Miller, MedPAC

Karen Fisher, AAMC Danielle Lloyd, AHA