

Dear Acting Administrator Charlene Frizzera:

We are writing to ask you to eliminate a payment cut to teaching hospitals that is scheduled to take place on October 1, 2009 under the capital prospective payment system (PPS).

As you know, in 2008, the Centers for Medicare & Medicaid Services (CMS) promulgated a rule that phased out, over two years (FY 2009 and 2010) the indirect medical education (IME) adjustment paid to teaching hospitals for their capital expenditures. The policy was initially implemented on October 1, 2008, and was scheduled to be fully phased in beginning on October 1, 2009. Congress, in the recently enacted *American Recovery and Reinvestment Act*, eliminated the first year of these cuts. We are now asking you to withdraw the remaining portion of this policy in this year's proposed rule for the inpatient prospective payment system (IPPS).

If this rule is fully implemented, eliminating the IME adjustment to the capital PPS would result in nearly \$375 million in aggregate annual losses to U.S. teaching hospitals. We believe that this policy threatens the financial viability of teaching hospitals, which serve a high volume of Medicare beneficiaries and provide critical health services unavailable elsewhere in communities across the country.

As you know, the IME adjustment in the IPPS was originally designed by Congress to recognize the added operating costs of teaching hospitals. Clearly, teaching hospitals by their very nature bear those costs on the capital side as well. While the IPPS is the only payment system in Medicare that does not provide a single payment for total cost (i.e., operating and capital), it is our understanding that hospitals have used these payments as if they were a single, combined payment ever since capital cost-based reimbursement ended.

In addition, teaching hospitals have inherently higher capital costs than do non-teaching hospitals. This is due to the need for classroom space, extra equipment to train medical residents and basic and intense physical plant requirements, such as advanced electrical, heating, and cooling systems to support (and back-up) medical technology. The capital IME adjustment recognizes that teaching hospitals must meet the demand of treating sicker patients, as well as meet the financial demands of operating emergency and trauma care, providing highly specialized services, and treating uninsured patients.

We respectfully urge you to withdraw this policy when issuing the FY 2010 IPPS Rule. If you have any questions or wish to discuss this further, please don't hesitate to contact us directly.

Sincerely,

/S/  
Senator Charles E. Schumer

/S/  
Senator Pat Roberts