

Dear Mr. Weems:

We write to urge you to withdraw the Centers for Medicare & Medicaid Services' (CMS) proposal to eliminate the Medicare indirect medical education (IME) adjustment for capital costs in the inpatient prospective payment system (IPPS) beginning this October. The IME adjustment in the capital IPPS is an essential component of the revenue stream that enables teaching hospitals to serve their communities and the nation in critical ways. This would result in significant losses to our teaching hospitals, potentially reducing payments by about \$375 million annually.

The capital costs borne by teaching hospitals are significantly greater than for non-teaching hospitals. Teaching hospitals play a unique role in the nation's health care system, training physicians, nurses and other health care professionals, developing the next generation of medical treatments for patients, and engaging in clinical research trials. As you know, some of the added capital costs incurred by teaching hospitals include building classroom space; providing libraries; and purchasing highly sophisticated technology. In addition, because teaching hospitals are often their communities' safety net they must also be prepared to meet any emergency. Teaching hospitals are often trauma centers and many act as regional referral centers for critical care services such as burn care.

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.

CMS's decision to eliminate the capital IME adjustment over the next two years, based solely on a capital margin analysis, ignores the precarious financial situation of teaching hospitals as well as the capital expenditure cycle by which these institutions make capital purchasing decisions. As in the operating IPPS, the IME adjustment in the capital IPPS recognizes the financial demands placed on teaching hospitals in fulfilling their missions.

We strongly urge you to retain the capital IME adjustment. If you have any questions or wish to discuss this further, please don't hesitate to contact us directly.

Sincerely,