July 14, 2011

The Honorable Lamar Alexander
SD-455 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Alexander:

Together, East Tennessee State University, Meharry Medical College, the University of Tennessee Health Science Center and Vanderbilt University represent a cross-section of our state: both public and private, urban and rural, research and clinically focused. But we share a common commitment to the education of our students and an unwavering dedication to the clinical needs of all Tennesseans. While we support efforts to reduce spending and address our national fiscal challenges, we implore you to oppose efforts to cut funding for programs that train the next generation of physicians and allow us to provide unparalleled clinical services for Tennesseans.

We understand that the current deficit reduction negotiations may include several proposals that we believe would harm our ability to train the next generation of physicians including a reduction in funding for graduate medical education (GME), which provides the primary financial support for medical residents, fellows, and faculty at the State’s four allopathic medical schools. Our healthcare professionals provide care at all six of our Level 1 regional trauma centers, two burn centers, and all four comprehensive pediatric centers in the state. We are concerned that these cuts could result in a loss of up to $100 million in GME funding to Tennessee. This would force our institutions to significantly scale back our residency training program, further exacerbating the impending physician shortage, particularly in many rural parts of the state.

A particular concern is the potential elimination of a component of GME payment known as “indirect medical education” or IME payment. IME accounts for differences in patient care costs between teaching and non-teaching hospitals. Teaching hospitals incur additional costs associated with maintaining 24-hour stand-by access, as well as technology and expertise (e.g. trauma centers). These payments also recognize that teaching hospitals treat larger numbers of Medicare patients. Those beneficiaries are often sicker and require more complex care than those at non-teaching hospitals – 17% of Tennessee’s population is on Medicare, compared with a national average of 15%. Medicare capped the number of residents supported in 1997 and it is unchanged in 2011.

According to the Association of American Medical Colleges (AAMC), for every $1 the federal government cuts in IME payments, the hospital’s state economy loses $3.84. In the next year alone, that
equals a $208 million reduction to Tennessee’s economy – and these losses would be compounded over the decade.

In addition, removal of the state’s ability to provide TennCare matching funds through a provider assessment would eliminate the annual Hospital Coverage Assessment fee, which preserves existing services at hospitals across the state. Eliminating access to these matching funds would cost Tennessee $800 million in federal funds this year alone. Some of those funds support the Tennessee Rural Partnership, which places physicians in rural/underserved areas in Tennessee. This program would undoubtedly be eliminated. Loss of patient care dollars will negatively impact our faculty practice plans and teaching hospital partners.

**Although dollars are important, the human costs will be staggering.** Every county in Tennessee has a federally designated Health Provider Shortage Area (HPSA) and/or a federal designation as a Medically Underserved Area (MUA). If reductions in both Medicaid and Medicare funds occur, funding would be lost for patients across Tennessee. We already face a physician shortage, along with an expanding population and aging physician workforce. Level 1 trauma centers will look at re-evaluating their transfer and acceptance agreements from other facilities. Higher-cost services (e.g. burn and perinatal services) will be severely limited, even as our population increases. Entire specialties could face elimination, and residents would be incentivized away from primary and rural care.

At this critical moment, we implore you to encourage negotiators to take GME, IME and the hospital assessment fee cuts off the table. We represent more than 2200 residents and thousands of faculty members, who treat a million plus Tennesseans with Medicare and 1.2 million TennCare enrollees. Our alumni, faculty and residents also provide the healthcare workforce that hardworking Tennesseans access on a daily basis. We need to live within our means, but should not compromise our ability to save the lives of our fellow citizens.

Sincerely,

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