

RESTORE CRITICAL FUNDING TO TEACHING HOSPITALS

By

Michael E. DeBakey, M.D.

“The health of the people is really the foundation upon which all their happiness and all their powers as a state depend.” That statement is as true today as it was when Benjamin Disraeli uttered it on July 24, 1877.

The Medicare bill being negotiated in Congress offers lawmakers a propitious opportunity to improve the healthcare of the American people dramatically in two ways: first, by providing senior citizens with a much needed prescription drug benefit and, second, by restoring requisite funding to the nation’s teaching hospitals, whose medical staffs develop and test the new, lifesaving medicines and procedures that benefit not only seniors, but all Americans.

In addition to their role in biomedical research, the nation’s teaching hospitals have other special missions and responsibilities. They provide the resources and environment in which nearly 100,000 new physicians and other healthcare professionals are trained every year; they house the vast majority of critical care services; they offer the most specialized medical services, from neonatal intensive care to organ transplants; and they care for many of the nation’s sickest patients, who have the most complicated and difficult-to-treat conditions. Although they represent only 29% of all hospitals, teaching hospitals provide 80% of total hospital charity care nationwide. They house 78 percent of all trauma centers and 92 percent of all burn beds. And in the post-9/11 world, teaching hospitals play a vital role in our nation’s homeland security: they are the most likely hospitals to have trauma centers, burn units, and sophisticated laboratories, and their staffs are

undertaking disaster readiness projects and training, to be well prepared for whatever crises the future may bring.

Despite their varied indispensable services, the nation's teaching hospitals are in a dismal state of economic crisis. The roots of this crisis are twofold. First, teaching hospitals incur inherently higher costs because of their additional roles in training health professionals, treating the most complicated medical conditions with the latest technologies, providing free medical care for trauma and serious illnesses to a large segment of the constantly expanding uninsured population; and nurturing clinical research. According to the most recent federal data, major teaching hospitals have significantly lower margins than other hospitals -- just 1.5% compared with 4.1% for non-teaching hospitals.

The second factor is recent major cuts in federal support to teaching hospitals. For years, teaching hospitals have depended upon a Medicare payment known as IME (indirect medical education) to help offset some of their larger expenses. But in 1997, as part of the Balanced Budget Act, Congress began cutting those payments to teaching hospitals. To date, these funding cuts amount to about 30%. The 15% cut that took effect last October means *\$800 million less each year in IME support for teaching hospitals—a sum that will balloon to \$4.2 billion (a small portion of the overall Medicare \$256 billion annual budget) over the next five years and threaten important patient care services unless Congress acts.*

What do these enormous numbers translate into for a single hospital or hospital system? The average major teaching hospital will lose about \$2 million annually unless these cuts are discontinued—but many are losing much more. In my own state of Texas, teaching hospitals will lose \$142 million over the next five years.

But the adverse impact of the cuts will be felt most deeply by patients. Coupled with the razor-thin margins of teaching hospitals throughout the country, unrestored IME cuts will

mean that some of our country's most prominent hospitals will have to make painful choices about which important services to keep—and which they must cut: new research programs? burn care beds? trauma centers? organ transplants? neonatal care? There should be no doubt: the coming budget cuts at our country's leading academic medical centers will jeopardize the care, and the health, not only of today's patients, but also of many generations to come. Moreover, the current funding for training is now so deficient as to threaten an exodus of experienced medical educators and to discourage commitments to teaching among young physicians.

Medicare has a proud history of ensuring that the elderly receive healthcare. Through IME support to the nation's teaching hospitals, Medicare has also played an important role in making America the world's leader in healthcare advances and in quality of care. Restoring an adequate level of IME payments within the Medicare prescription drug bill will help ensure the continuation of both of these critically important, and integrally related, roles.

I am fully aware that Congress must address a plethora of pressing national and international issues confronting our nation, including homeland security. But no other matter countervails the preeminence of health for the individual citizen and, indeed, for the nation. The public recognizes the primacy of this issue. In a recent Harris poll, the American people named healthcare a top priority for the nation's future expenditures, over entertainment, leisure, clothing, and even food.

Michael E. DeBakey, M.D., is Chancellor Emeritus and Olga Keith Wiess Professor in the Michael E. DeBakey Department of Surgery of Baylor College of Medicine and Director of the DeBakey Heart Center for research and public education at Baylor and The Methodist Hospital in the Texas Medical Center, Houston.