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November 20, 2003

The Honorable William M. Thomas
U.S. House of Representatives
2208 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Thomas :

On behalf of the University of California Health System and its five academic medical centers at UC Davis, UC San Francisco, UC Los Angeles, UC Irvine and UC San Diego, I write in support of the House-Senate Medicare conference agreement. The agreement includes important Medicare and Medicaid reimbursement provisions that help our patients and communities by providing UC's academic medical centers and faculty physicians the resources necessary to care for California's Medicare beneficiaries and indigent and uninsured populations. Consequently, the University supports the Medicare conference report and urges you to vote in favor of passage when it reaches the House floor.

If the Medicare conference report is approved by both chambers and ultimately becomes law, the Medicare and Medicaid payment provisions listed below would provide an additional \$32.5 million in Fiscal Year (FY) 2004 to University of California's academic medical centers and faculty physicians.

- **Medicare Hospital Inpatient Market Basket (inflation) Update:** A full hospital inpatient market basket update for FY 2004. For FY's 05-07, a full market basket update for hospitals that submit quality data to the Centers for Medicare and Medicaid Services (CMS). Hospitals not submitting quality data to CMS would receive updates of Market Basket minus 0.4%. The University of California Health System currently participates in the CMS quality initiative. **The estimated FY 04 impact to UC Health System is \$10 million in additional Medicare funding for the provision of inpatient hospital services.**
- **Medicare Indirect Medical Education (IME):** Medicare IME payments are increased by \$400 million through an adjustment of 6.0% (from current law 5.5%) as of April 1, 2004, 5.8% for FY 05, 5.55% for FY 06, and 5.35% for FY 07. The IME adjustment

reverts to current law, 5.5 %, for FY 08 and beyond. **The estimated FY 04 impact to UC Health System is \$2.5 million in additional Medicare IME payments for medical education training.**

- **Medicaid Disproportionate Share Hospital (DSH):** Eliminates Medicaid DSH "cliff" in FY 04 by increasing state allotments by 16% with inflationary adjustments thereafter. **The estimated FY '04 impact to UC Health System is \$11 million in additional Medicaid DSH funds for UC's three designated DSH facilities located at UC Davis, UC Irvine and UC San Diego.**
- **Medicare Physician Fee Schedule:** Eliminates a scheduled 4.5% cut in Medicare physician payments and provides a 1.5% increase for FY's 04 and 05. **The estimated FY 04 impact to UC Health System is \$9 million in additional Medicare payments to UC faculty physicians for the provision of clinical services to California's seniors.**

We appreciate the attention you and your staff have given to the Medicare and Medicaid issues currently confronting the University of California. We recognize that the conference report addresses many important issues regarding the future of the healthcare delivery system for senior citizens that require your careful consideration. As part of the process we wanted to apprise you of the impact of this significant legislation on our academic medical centers. Should you have any questions, please contact David Brown in our Federal Government Relations Office at (202) 974-6309.

Sincerely,



William H. Gurtner
Vice President Clinical Services Development
Office of the President