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by Barbara Eisner Bayer

The successful training of tomorrow's medical professionals begins today in America's teaching hospitals. Each year 100,000 resident physicians are trained at 1,100 of these institutions. Teaching hospitals are a crucial component of our medical system, yet they comprise just 20 percent of the nation's total hospitals.

The care delivered at teaching hospitals is outstanding. A Duke University study, published in the *New England Journal of Medicine* (Jan. 28, 1999), revealed that patients treated at major teaching hospitals for stroke, coronary artery disease, and hip fracture had higher survival rates than those admitted to other types of hospitals.

But now, America's teaching hospitals are in crisis.

**Steep cuts mean steeper trouble**

Back in 1997, Congress passed the Balanced Budget Act. At that time, there was panic that the Medicare Trust Fund, which primarily pays for hospital expenses of Medicare patients, would soon go bankrupt. To keep it solvent and protect the Medicare Trust Fund, the government devised a plan that included steep cuts to the Indirect Medical Education (IME) payment, money that goes directly to teaching hospitals. They also cut the Medicaid Disproportionate Share Hospital (DSH) program, which covers expenses for low-income patients.

Since 1997, teaching hospitals have experienced a 30 percent reduction in reimbursement. And according to [Stopthecuts.org](#), a Web site that provides information on Federal budget cuts, America's teaching hospitals will have their



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federal Medicare payments slashed by a whopping \$4.2 billion through 2007. These medical centers, which already struggle with high costs and low profit margins, are being tightly squeezed.

### **Medical gems**

Our teaching hospitals are the hidden treasures of the medical establishment. Although all hospitals have a commitment to provide basic healthcare for their communities, teaching hospitals go above and beyond the cause by providing special services. They're training grounds for doctors and nurses, as well as centers for clinical research and experimental treatments. As research facilities, they're home to advanced services and equipment, and they handle complicated and challenging conditions. Teaching hospitals perform two out of every three highly specialized surgeries nationwide. They also have been crucial in the recent development of programs for homeland security, including disaster readiness and training.

Additionally, they provide much-needed medical assistance to people without health insurance. According to Stopthecuts.org, teaching hospitals provide 76 percent of total charity care throughout the country to the 43 million Americans who cannot afford health insurance. Teaching hospitals are invaluable when it comes to critical care: They provide 80 percent of all burn-unit beds and care for the 41 million people who visit emergency rooms annually.

### **The cost of commitment**

Unfortunately, a high commitment comes with a high price. It's expensive to provide round-the-clock care to severely ill patients, especially when insurance companies won't foot the bill. In addition, many teaching hospitals treat critical conditions, which often necessitate longer hospital stays, contributing to higher costs. Teaching hospitals have traditionally depended on Medicare to help defray the expense of these treatments and services.

While the flow of money is decreasing, the pressure to deliver additional services is increasing. "Hospitals are being asked to do more and more and to play a critical role on the homeland defense front," says Greg McGarry, vice president of public relations at Albany Medical Center in upstate New York. "The irony is that funding is nowhere near up to the task of what's been asked of us."

### **The coping mechanism**

"Most hospitals are committed to maintaining services to the current extent for as long as they

can,” says Robert Dickler, senior vice president for health care affairs at the Association of American Medical Colleges (AAMC). “They’re trying to accommodate to their reduced revenue by cutting expenses, curtailing programs, limiting the size of education programs, limiting the level of uncompensated care, or by shutting down programs, like burn centers.”

Federal and state funding cuts have forced some facilities to make dramatic changes. Albany Medical Center, for example, lost more than \$110 million in combined Medicare and Medicaid funding over the past five years. To cope with this drastic loss of support, the hospital was forced to close some of the sites that delivered primary care to the community. In addition, it turned over various departments, including outpatient oncology and radiology, to private corporations. Services continue to be delivered, but the hospital no longer foots the bill.

The University of Michigan Health System (UMHS) also has been confronted with the prospect of devastating funding cuts. Although the amount hasn’t been specifically determined, financial advisor Casey Crimmins estimates it’s several million dollars—and counting. “To compensate for this shortfall,” states Crimmins, “[UMHS] is pursuing other income sources, including working with the state to maximize federal matching money, reallocating resources, and reducing expenses.”

Dickler believes “there’s an enormous amount of anxiety regarding the cumulative impact of higher costs on one side and reduced reimbursement on the other.” Only time will tell if our teaching hospitals can maintain their commitment to their missions when their funding sources have reduced their commitment to the hospitals.

### **The prognosis is grim**

To make matters worse, individual states also are cutting Medicaid reimbursement programs. According to the AAMC, teaching hospitals in Pennsylvania stand to lose funding of \$426 million; in Missouri, it’s \$91 million. Under proposed budget cuts, Wisconsin’s teaching hospitals could lose up to \$56 million for graduate medical training. And New York Senator Charles E. Schumer estimates that hospitals in his state could lose as much as \$266 million in one year alone.

But that’s not all:

- Ohio plans to cut statewide Medicaid spending by \$468 million.
- Illinois plans to cut it by \$100 million in