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*Affiliated with
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UNITED STATES HOUSE OF REPRESENTATIVES
WASHINGTON, DISTRICT OF COLUMBIA**

***THE FEDERAL CHILDRENS' HOSPITALS
GRADUATE MEDICAL EDUCATION (GME) PROGRAM:
A SUCCESSFUL INVESTMENT IN THE HEALTH OF ALL CHILDREN***

MAY 9, 2006

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, IT IS AN HONOR FOR ME TO BE HERE TODAY. I AM PATRICK MAGOON, PRESIDENT AND CEO OF CHILDREN'S MEMORIAL HOSPITAL IN CHICAGO, ILLINOIS. THANK YOU FOR THE OPPORTUNITY TO TESTIFY ON BEHALF OF THE FEDERAL CHILDREN'S HOSPITALS GRADUATE MEDICAL EDUCATION (CHGME) PROGRAM.

CHILDREN'S MEMORIAL WAS FOUNDED IN 1882 BY JULIA FOSTER PORTER WHO LOST HER SON TO ILLNESS. THE HOSPITAL BEGAN AS AN EIGHT BED COTTAGE AND HAS EVOLVED INTO A MAJOR MEDICAL CENTER THAT TODAY OWNS AND OPERATES 270 LICENSED BEDS AS WELL AS A FULL RANGE OF INPATIENT AND

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OUTPATIENT CARE AND RELATED ANCILLARY SERVICES.

CHILDREN'S MEMORIAL IS ILLINOIS' ONLY INDEPENDENT, ACUTE CARE HOSPITAL DEDICATED EXCLUSIVELY TO CHILDREN.

BECAUSE OF THE DEPTH AND BREADTH OF SERVICES WE OFFER, WE HAVE THE PRIVILEGE OF SERVING CHILDREN FROM EVERY COUNTY IN THE STATE. FOR EXAMPLE, FROM DURING FY 2002-2005, WE HAD 46,658 PATIENT ENCOUNTERS FROM CONGRESSMAN RUSH'S CONGRESSIONAL DISTRICT LOCATED ON THE SOUTH SIDE OF CHICAGO AND 384 PATIENT ENCOUNTERS WITH CHILDREN FROM CONGRESSMAN SHIMKUS' DISTRICT LOCATED DOWNSTATE.

OUR HOSPITAL TRAINS MORE DOCTORS FOR CHILDREN, PROVIDES MORE HOSPITAL CARE FOR CHILDREN, CONDUCTS MORE RESEARCH FOR CHILDREN, AND SERVES MORE MEDICAID PATIENTS THAN ANY OTHER HOSPITAL IN ILLINOIS. MEDICAID REPRESENTS 48% OF OUR INPATIENT CARE.

I WANT TO MAKE THREE POINTS ABOUT CHGME'S GOAL OF EQUITY, ITS SUCCESS FOR PEDIATRIC TRAINING, AND ITS INVESTMENT IN THE HEALTH OF ALL CHILDREN.

• FIRST, CHGME'S GOAL IS TO PROVIDE EQUITABLE FEDERAL GME SUPPORT TO INDEPENDENT CHILDREN'S HOSPITALS. UNTIL COMPREHENSIVE GME FINANCING REFORM IS ACHIEVED, CHGME IS AN INTERIM STEP FOR CHILDREN'S HOSPITALS TO RECEIVE NO MORE BUT NO LESS THAN THE FEDERAL GME SUPPORT THAT ALL OTHER TEACHING HOSPITALS HAVE RECEIVED FOR DECADES.

• SECOND, CHGME IS A SUCCESS IN BOOSTING OUR ABILITY TO BOTH TURN AROUND A DECLINE IN THE SIZE OF OUR TRAINING PROGRAMS AND STRENGTHEN THEM AT A TIME OF NATIONAL PEDIATRIC WORKFORCE SHORTAGES – WITHOUT HAVING TO SACRIFICE CLINICAL CARE OR RESEARCH.

• THIRD, CHGME IS AN INVESTMENT IN THE FUTURE HEALTH OF EVERY CHILD IN THE U.S. BECAUSE THE NATION'S 60 INDEPENDENT CHILDREN'S TEACHING HOSPITALS ARE THE BACKBONE OF HEALTH CARE FOR ALL CHILDREN.

BUT TO START, I HAVE TO GO BACK TO THE LATE 1990S. PRICE COMPETITION THEN, AS NOW, WAS INTENSE IN THE HEALTH CARE MARKETPLACE. INDEPENDENT CHILDREN'S HOSPITALS FACED



ENORMOUS PRESSURES BECAUSE WE DO EVERYTHING ANY ACADEMIC MEDICAL CENTER DOES – BUT WITH NO FEDERAL GME SUPPORT, BECAUSE WE CARED FOR VIRTUALLY NO MEDICARE PATIENTS.

WHY SHOULD THAT MATTER? IN 1998, MEDICARE PAID A TEACHING HOSPITAL, ON AVERAGE MORE THAN \$60,000 PER FULL TIME EQUIVALENT RESIDENT, DIRECT AND INDIRECT MEDICAL EDUCATION FUNDING COMBINED. BUT, IT PAID AN INDEPENDENT CHILDREN'S HOSPITAL LESS THAN \$400 PER RESIDENT.

IF THERE HAD BEEN OTHER MAJOR PAYERS OF GME FOR CHILDREN'S HOSPITALS, IT WOULD NOT HAVE MATTERED. BUT PRIVATE PAYERS STOPPED PAYING THE EXTRA COSTS OF TEACHING AND MEDICAID PAYMENT FOR GME IS WELL BELOW ITS COST. THE LACK OF EQUITABLE FEDERAL GME SUPPORT PUT OUR HOSPITALS AND ALL OF OUR MISSIONS – CLINICAL CARE, TEACHING, AND RESEARCH – AT GRAVE RISK.

IN 1999, RALPH MULLER WAS THE FORMER CEO OF THE UNIVERSITY OF CHICAGO HOSPITALS, WHICH HAS A NON-INDEPENDENT CHILDREN'S HOSPITAL THAT RECEIVES MEDICARE



GME. IN EXPLAINING HIS SUPPORT FOR CHGME, HE ONCE SAID: "I DON'T KNOW HOW CHILDREN'S MEMORIAL CAN OPERATE WITHOUT MEDICARE GME SUPPORT. OUR HOSPITAL COULD NOT."

BY THE LATE 1990S, CHILDREN'S HOSPITALS NATIONWIDE FACED BUDGET SHORTFALLS, PRESSURES TO EXPAND AND MOUNTING DEMAND FOR OUR SERVICES. CONSIDER MY OWN HOSPITAL. CHILDREN'S MEMORIAL HAD MASSIVE BUDGET LOSSES. IN FISCAL YEAR 1997, WE HAD A \$12.5 MILLION OPERATING LOSS. CHILDREN'S MEMORIAL'S MEDICAID OUTPATIENT LOSSES AGAINST OUR COSTS AMOUNTED TO \$23 MILLION.

EVERY PROGRAM WITHOUT VIABLE INCOME – INCLUDING GME – WAS UNDER INTENSE PRESSURE TO CUT BACK. WE MADE PAINFUL DECISIONS SUCH AS THE ELIMINATION OF 400 JOBS. WE STREAMLINED OUR OPERATIONS AND CUT ALMOST \$25 MILLION IN COSTS. BUT IF WE CUT TRAINING, IT WOULD HAVE HAD SEISMIC RAMIFICATIONS FOR OUR CLINICAL OPERATIONS AND RESEARCH ENTERPRISE, WHICH ARE INTEGRATED WITH OUR ACADEMIC PROGRAM.

THE IMPORTANCE OF PEDIATRIC RESEARCH CANNOT BE UNDERESTIMATED. THE ENTERPRISE OF SCIENTIFIC DISCOVERY IN HEALTH CARE DEPENDS ON THE STRONG ACADEMIC PROGRAMS OF TEACHING HOSPITALS. BY COMBINING RESEARCH AND TEACHING IN A SINGLE CLINICAL SETTING, TEACHING HOSPITALS COMBINE THE TWO CRITICAL INGREDIENTS FOR SUCCESSFUL SCIENTIFIC DISCOVERY IN MEDICINE – SCIENTIFIC BREAKTHROUGHS AND RAPID TRANSLATIONS OF THEM INTO PATIENT CARE.

THE TEACHING ENVIRONMENT ATTRACTS THE ACADEMICIANS DEVOTED TO RESEARCH AND DRAWS THE VOLUME AND SPECTRUM OF CASES UPON WHICH CLINICAL RESEARCH RELIES. THE TEACHING ENVIRONMENT CREATES THE INTELLECTUAL ATMOSPHERE THAT TESTS THE CONVENTIONAL WISDOM OF DAY-TO-DAY HEALTH CARE AND FOSTERS QUESTIONS THAT LEAD TO SCIENTIFIC BREAKTHROUGHS.

SIMPLY PUT, INDEPENDENT CHILDREN'S TEACHING HOSPITALS ARE PROOF OF THE IMPORTANCE OF ACADEMIC MEDICINE TO SCIENTIFIC DISCOVERY ESSENTIAL TO IMPROVING CHILDREN'S HEALTH CARE.



SCIENTIFIC ADVANCES OF CHILDREN'S TEACHING HOSPITALS HAVE HELPED CHILDREN SURVIVE ONCE FATAL DISEASES SUCH AS POLIO, TO GROW AND THRIVE WITH ONCE CRIPPLING DISABILITIES SUCH AS CEREBRAL PALSY, AND TO BECOME ECONOMICALLY SELF-SUPPORTING ADULTS WITH CONDITIONS SUCH AS JUVENILE DIABETES AND SPINA BIFIDA. THIS IS WHY OUR HOSPITALS ARE CONSISTENTLY AMONG THE LEADING RECIPIENTS OF NIH GRANTS FOR BIOMEDICAL RESEARCH.

CHGME FUNDING IS EXTREMELY IMPORTANT TO THE ABILITY OF CHILDREN'S TEACHING HOSPITALS, INCLUDING OURS, TO FULFILL OUR MISSION OF TRAINING THE NEXT GENERATION OF PHYSICIANS SPECIALIZED IN THE CARE OF CHILDREN, IN ADDITION TO THE MISSIONS OF CLINICAL CARE, RESEARCH AND ADVOCACY FOR CHILDREN. IF WE CRIPPLE OUR TRAINING PROGRAM, WE CRIPPLE OUR RESEARCH PROGRAM.

IN 1998 AND 1999, CHILDREN'S HOSPITALS WENT TO CONGRESS. WE TOLD OUR STORY. FEW REALIZED THAT INDEPENDENT CHILDREN'S TEACHING HOSPITALS WERE BASICALLY LEFT OUT IN THE COLD WHEN IT CAME TO FEDERAL GME SUPPORT.



CONGRESS RESPONDED OVERWHELMINGLY WITH BIPARTISAN SUPPORT THAT LED TO THE ENACTMENT OF CHGME IN 1999 AND ITS REAUTHORIZATION IN 2000.

WE ARE DEEPLY GRATEFUL TO THIS SUBCOMMITTEE AND THE FULL COMMITTEE FOR THE LEADERSHIP YOU PROVIDED. TODAY, CHGME PROVIDES, ON AVERAGE, TO OUR HOSPITALS ABOUT 80% OF THE FEDERAL GME SUPPORT OTHER TEACHING HOSPITALS RECEIVE THROUGH MEDICARE. IT HAS MADE AN ENORMOUS DIFFERENCE FOR OUR HOSPITALS AND FOR OUR TRAINING PROGRAMS.

OVER THE PAST FIVE YEARS, INDEPENDENT CHILDREN'S TEACHING HOSPITALS HAVE INCREASED OUR TRAINING OF PEDIATRICIANS BY 20% AND OUR TRAINING OF PEDIATRIC SPECIALISTS BY 47%.

WITHOUT THIS GROWTH THE NUMBER OF PEDIATRICIANS IN THIS COUNTRY WOULD HAVE CONTINUED THEIR DECLINE. OUR TRAINING ACCOUNTED FOR MORE THAN 60 PERCENT OF ALL NEW PEDIATRIC SPECIALISTS – SPECIALISTS SUCH AS GASTROENTEROLOGISTS THAT ARE IN SUCH SHORT SUPPLY IT CAN TAKE A YEAR OR MORE TO FILL VACANCIES.



CHILDREN'S MEMORIAL IS ONE OF THE MAJOR PEDIATRIC TEACHING HOSPITALS IN THE COUNTRY. WE ARE AFFILIATED WITH NORTHWESTERN UNIVERSITY'S FEINBERG SCHOOL OF MEDICINE. OUR RESIDENCY PROGRAM IS CONSISTENTLY ONE OF THE MOST SOUGHT AFTER NATIONALLY. IN 2004-2005, FOR EXAMPLE, WE RECEIVED MORE THAN 820 APPLICATIONS FOR 31 OPENINGS.

BETWEEN 6 SPECIALTIES AND 26 SUBSPECIALTIES, EACH YEAR WE TRAIN ABOUT 185 PHYSICIANS, ALMOST HALF -- CURRENTLY 84 -- ARE PEDIATRIC RESIDENTS. THE REMAINDER ARE FELLOWS IN SUCH AREAS AS INFECTIOUS DISEASE, NEONATOLOGY, CARDIOLOGY AND OTHER PEDIATRIC SUBSPECIALTIES. MORE THAN 200 MEDICAL STUDENTS ROTATE THROUGH THE HOSPITAL FOR CLINICAL CLERKSHIPS. IN FY 2005, WE TRAINED 200 FULL-TIME EQUIVALENT RESIDENTS AT OUR INSTITUTION. THIS REPRESENTS A GROWTH OF 27% (42.7 ADDITIONAL RESIDENTS) IN OUR TRAINING PROGRAM SINCE FY 2000.

THE CHGME PROGRAM HAS ALLOWED US TO IMPLEMENT CUTTING EDGE CLINICAL PROGRAMS. FOR EXAMPLE, WE HAVE DEVELOPED A SMALL BOWEL AND SHORT GUT TRANSPLANT PROGRAM. WE



CANNOT OPERATE THESE TYPES OF INTENSIVE CLINICAL PROGRAMS WITHOUT OUR REISDENCY TRAINING PROGAM.

THERE IS NO BETTER PROOF OF CHGME'S IMPORTANCE TO THE NATION'S PEDIATRIC WORKFORCE THAN THE TESTIMONY OF PEDIATRIC DEPARTMENTS OF MEDICAL SCHOOLS, MOST OF WHICH DO NOT HAVE AN INDEPENDENT CHILDREN'S HOSPITAL. THIS SPRING, 80 PEDIATRIC CHAIRS ASKED THE COMMITTEE TO CONTINUE CHGME. MORE THAN HALF REPRESENT HOSPITALS THAT RECEIVE NO CHGME. THEY KNOW INDEPENDENT CHILDREN'S TEACHING HOSPITALS ARE INDISPENSABLE.

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WHY? WE ARE ONLY 1% OF ALL HOSPITALS. BUT, WE TRAIN 30% OF ALL PEDIATRICIANS, HALF OF ALL PEDIATRIC SPECIALISTS, AND MOST PEDIATRIC RESEARCHERS. WE PROVIDE HALF OF ALL SPECIALTY CARE FOR THE SICKEST CHILDREN – WITH CANCER, BIRTH DEFECTS, TRAUMA. WE ARE THE SAFETY NET TO THE POOREST CHILDREN. WE HOUSE THE ENGINES OF PEDIATRIC RESEARCH.

IN SHORT, INDEPENDENT CHILDREN'S TEACHING HOSPITALS ARE ESSENTIAL TO HEALTH CARE FOR EVERY CHILD IN THIS COUNTRY.



WE'RE ONLY 1% BUT WHAT WE DO TOUCHES EVERY CHILD'S LIFE –
BY CARE WE GIVE, BY PHYSICIANS WE TRAIN, BY BREAKTHROUGHS
IN HEALTH CARE OUR RESEARCH DISCOVERS.

THAT'S WHY CHGME IS AN INVESTMENT IN THE HEALTH OF ALL
CHILDREN. IT IS AN INVESTMENT IN OUR TEACHING, WHICH
TRANSLATES INTO AN INVESTMENT IN OUR CLINICAL CARE, OUR
RESEARCH, AND OUR ABILITY TO SERVE ALL CHILDREN.

WE ARE GRATEFUL FOR THE OVERWHEMLING SUPPORT THAT THE
MEMBERS OF THE HOUSE HAVE PROVIDED FOR THE CHGME
PROGRAM AND FOR THE SUPPORT THAT OUR COLLEAGUES IN
THE PEDIATRIC AND HOSPITAL COMMUNITIES HAVE SHOWN,
INCLUDING THE AMERICAN ACADEMY OF PEDIATRICS,
ASSOCIATION OF MEDICAL SCHOOL PEDIATRIC DEPARTMENT
CHAIRS, ASSOCIATION OF AMERICAN MEDICAL COLLEGES, AND
AMERICAN HOSPITAL ASSOCIATION.

WE RESPECTFULLY ASK YOU TO CONTINUE CHGME'S GOAL OF
EQUITY, ITS SUCCESS FOR THE PEDIATRIC WORKFORCE, AND ITS
INVESTMENT IN THE HEALTH CARE OF EVERY CHILD AND EVERY
GRANDCHILD. PLEASE REAUTHORIZE CHGME.