AMERICAN ACADEMY OF
OTOLARYNGOLOGY–
HEAD AND NECK SURGERY®

June 9, 2025

The Honorable John Thune
Majority Leader
U.S. Senate
511 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Chuck Schumer
Minority Leader
U.S. Senate
322 Hart Senate Office Building
Washington, D.C. 20510

Dear Leaders Thune and Schumer:

On behalf of the American Academy of Otolaryngology–Head and Neck Surgery (AAO-HNS), the nation's largest medical organization representing approximately 13,000 physician specialists dedicated to the care of patients with disorders of the ears, nose, throat, and related structures of the head and neck, we respectfully urge you and your Senate colleagues to consider critical modifications to H.R. 1, the "One Big Beautiful Bill Act." These adjustments are essential to sustaining the Medicare physician payment system, preserving small practice independence, protecting patient choice, preventing costly care consolidation, and ensuring comprehensive student loan support for future medical professionals. The Academy firmly believes these provisions are essential to maintaining access to otolaryngologist-head and neck surgeons who deliver the high-quality care our patients need and deserve in communities nationwide.

<u>Medicare Physician Payment</u>

AAO-HNS commends the House of Representatives for including a long-overdue structural improvement that ties future Medicare physician payments to an inflationary metric, specifically the Medicare Economic Index (MEI). The physician community has advocated for such an adjustment for decades. Adjusted for inflation, Medicare physician reimbursement has gone down by 30% since 2001. This decline has made it increasingly difficult to modernize practice infrastructure and support essential administrative services that enhance patient care. If this does not change, patient access to care will deteriorate.

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In communities across America, declining Medicare reimbursements are already forcing ENT practices to limit Medicare patients or close entirely. Rural areas are particularly vulnerable, as our specialists often serve as the sole provider of essential services like hearing restoration, allergy therapies, cancer treatment, and airway management within hundreds of miles. Without adequate payment reform, these communities will face dangerous gaps in specialized care that can mean the difference between early intervention and life-threatening complications.

We view this reform as a significant and encouraging first step. To build upon this momentum, we urge the Senate to consider increasing the statutory percentage of the MEI applied to the Medicare Physician Fee Schedule conversion factor. Ideally, we recommend that H.R. 1 adopt the full MEI update annually. Additionally, we ask that the Senate address the 2.8% payment reduction that took effect on January 1, 2025. Failure to rectify this cut will undercut the positive impact of the reforms being advanced in this legislation.

<u>Pass-Through Entity Taxes (PTET)</u>
The Academy would also like to express concern about the proposed changes to the treatment of pass-through entities (PTEs) in H.R. 1. As you are aware, many small and solo physician practices are organized as PTEs, which allows business income to be taxed at the individual level. This structure is particularly vital for sustaining care in rural and underserved areas.

When small physician practices face disproportionate tax burdens, they are often forced to sell to hospital systems, other entities, or close entirely. This consolidation reduces patient choice, often increases healthcare costs, and can eliminate specialized services from entire regions. For ENT care specifically, losing independent practices means patients may lose access to timely treatment for conditions ranging from chronic ear infections in children to head and neck cancers that require immediate intervention.

H.R. 1 would eliminate the federal deductibility of state-level pass-through entity taxes for specified service trades or businesses (SSTBs), such as physician practices. This change would disproportionately penalize small, service-based businesses, which already face limitations under the tax code—including phased-out Qualified Business Income (QBI) deductions.

The PTET deduction is neither a loophole nor a workaround; it embodies Congress' original intent to ensure fair tax treatment across business structures. Eliminating this deduction would further exacerbate tax disparities and disincentivize independent practice. We respectfully request that the Senate restore the PTET deduction to safeguard physician choice in practice models and ensure small medical practices remain viable.

<u>Federal Student Loan Provisions</u>
AAO-HNS appreciates the bill's intention to curb rising education costs. However, we are concerned that the proposed federal student loan caps—$50,000 for undergraduate and $150,000 for professional (i.e., medical) degree programs—will inadvertently discourage medical school enrollment, particularly among students from underrepresented or economically disadvantaged backgrounds.

Medical education requires a full-time, year-round commitment, thereby limiting students' ability to earn income and increasing their reliance on federal loans. Currently, the average debt for a medical school graduate exceeds $235,000, with combined undergraduate and graduate debt often reaching $265,000. The proposed caps fall significantly short of covering these costs.

The Academy urges the Senate to maintain access to the Grad PLUS loan program and preserve full Unsubsidized Direct Loan eligibility for medical students. Removing or limiting these resources would severely impact more than 40% of medical students who depend on them.

We do strongly support the House provision deferring loan repayment and interest accrual during medical school. However, limiting this benefit to only four years is insufficient—particularly for surgical specialties like otolaryngology-head and neck surgery that require longer training periods. We request that the Senate improve this provision by including the language of the Resident Education Deferred Interest Act, which would allow medical residents to defer interest accrual on their loans during the entire length of residency.

We also request that the Senate reject the House provision excluding medical residency from qualifying employment under the Public Service Loan Forgiveness (PSLF) program. Such a change would represent a significant setback for physicians who choose to work in public or non-profit hospitals during the early years of their careers—precisely when they earn the least and rely most heavily on financial support.

AAO-HNS recognizes the complexity of H.R. 1 and the challenging task before you and your colleagues in considering its wide-ranging provisions. However, the modifications we propose to Medicare physician payments, business tax treatment, and federal student loan support will significantly strengthen the bill's impact, preserve patient access to specialized care, and safeguard quality medical care nationwide.

Thank you for your time and thoughtful consideration of these critical issues. Should you have any questions or wish to discuss our recommendations in further detail, please contact Harry DeCabo, Director of Advocacy for AAO-HNS, at hdecabo@entnet.org or (703) 535-3695.

Sincerely,

Rahul K. Shah, MD, MBA
Executive Vice President/Chief Executive Officer
American Academy of Otolaryngology–Head and Neck Surgery