



Michael D. Maves, MD, MBA, Executive Vice President, CEO

July 17, 2007

The Honorable Charles E. Grassley
Ranking Member
Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Grassley:

On behalf of the physician and medical student members of the American Medical Association (AMA), I am writing to express our support for the "Children's Health Insurance Program (CHIP) Reauthorization Act of 2007." Expanding coverage to the millions of uninsured Americans is a top priority for the AMA. Reauthorizing CHIP is a critical first step in expanding coverage for the millions of children without health insurance.

Since Congress established the program in the Balanced Budget Act of 1997, CHIP has helped improve the health and well-being of millions of American children. Physicians see the benefits of CHIP on a daily basis: parents who work hard but are unable to afford health insurance are able to obtain the care their children need to stay healthy and strong. CHIP provides a critical health insurance safety net for children from low-income families, and has been successful in significantly reducing the number of children without coverage. Unfortunately, there are still millions of children who are eligible for CHIP but are not enrolled. The AMA supports intensifying outreach efforts to ensure that all eligible children become enrolled in the program.

We believe that this bipartisan proposal is a responsible, measured approach to reauthorizing and improving CHIP. We are particularly pleased that the proposal would provide more flexibility to states to allow better coordination and partnership with existing employer-provided health insurance. The enhanced premium assistance provisions would improve CHIP's ability to have a coordinated partnership role with existing private sector health insurance coverage and ease budgetary pressures on the CHIP program in the process. We also support the increased focus on and funding for outreach and education efforts, as well as the provisions that would reduce enrollment and re-enrollment barriers for applicants.

As we have previously indicated, we also strongly support the funding mechanism in your proposal that would increase the federal tax on tobacco products. An increase in the tobacco tax will act as a deterrent to young smokers and potential smokers. Studies show that for every 10 percent increase in the price of cigarettes, youth smoking is reduced by seven percent, and overall

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consumption by four percent. Higher tobacco taxes result in lower smoking rates in the long run, and will generate long-term health care savings, as fewer smokers means fewer people with strokes, heart attacks, cancer, and other smoking-related conditions.

We recognize the many challenges you have faced in developing the CHIP Reauthorization Act of 2007. As the Finance Committee considers this legislation, we hope you also will take action soon to replace the steep cuts facing Medicare physicians with positive updates that reflect increases in practice costs. Medicare physician payment rates are slated to be reduced by 10 percent in 2008, with cumulative cuts of about 40 percent over the next decade. Acting soon will avoid the annual, end-of-the-year scramble to stop the cuts, and will provide Congress with time to consider additional reforms to create a pathway to eliminate the sustainable growth rate (SGR) formula and replace it with a mechanism that accurately reflects the cost of practicing medicine.

We applaud your leadership and look forward to working with you, your Finance Committee colleagues, and the rest of Congress to ensure that the millions of uninsured children have health insurance coverage.

Sincerely,

A handwritten signature in cursive script that reads "Mike Maves". The signature is written in black ink and is positioned to the left of a vertical red line.

Michael D. Maves, MD, MBA