



September 7, 2007

The Honorable Harry Reid
Majority Leader
Senate Finance Committee
Washington, DC 20510

Dear Majority Leader Reid:

On behalf of the American Medical Association and AARP, we call on the Senate to take swift, concrete action to address critical Medicare issues facing physicians and beneficiaries.

Our organizations strongly support reauthorization of the State Children's Health Insurance Program, which is set to expire September 30. We encourage both the House and Senate to expeditiously reconcile the reauthorization legislation recently passed in both chambers, and to include the critical Medicare improvements for physicians and beneficiaries from the House package.

If Congress does not act before year's end, physicians will face an unprecedented 10 percent cut in Medicare payments. This could have a devastating effect on beneficiary access to physician health care services. With an aging population, now is not the time to push physicians out of the Medicare program. Congress should correct the serious flaws in the physician payment formula, while at the same time, ensuring that beneficiaries are protected from extraordinary out-of-pocket expenses as the physician payment system is reformed. Patients should not continue to face steep premium increases resulting from temporary fixes of a flawed formula that needs to be replaced.

Congress also has an opportunity to strengthen the traditional Medicare program by raising asset limits for Medicare's low income assistance programs that help older Americans pay for the health care and prescription drugs they need, protecting health care access in rural areas, providing better mental health benefits and expanding coverage for preventive care for all beneficiaries.

We urge Congress to part with "business as usual" and take action to pay physicians fairly. Medicare improvements for physicians and protections for beneficiaries deserve to be addressed now, with responsible funding, rather than rushed through before Congress adjourns, as has been customary in years past.

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A fiscally responsible way to finance these Medicare improvements is to reduce the current excess payments to Medicare Advantage plans. The Medicare Payment Advisory Commission has found that these private insurance plans are paid, on average, 12 percent more than traditional Medicare. The payment disparity not only shortens the life of the Medicare Trust Fund, but is unfair to all taxpayers and the vast majority of beneficiaries who subsidize these excess payments. Eliminating the excess payments to these plans will restore greater balance between the traditional Medicare and Medicare Advantage program. The 80 percent of beneficiaries who participate in the traditional program, who are currently subsidizing the excess Medicare Advantage payments through higher premiums, deserve better. Congress should put both programs on equal footing and ensure that traditional Medicare is stable and properly funded so it can continue to deliver on its promise of providing quality healthcare to seniors.

As the nation's largest organizations representing physicians and older Americans, we urge Congress to manage these needed Medicare changes in a timely and deliberate manner. These critical issues, along with the critical issue of health insurance coverage for low-income children, should be addressed now. We look forward to working with you to ensure that America's children and seniors have access to high quality medical care.

Sincerely,



William D. Novelli
Chief Executive Officer



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