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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

July 17, 2007

The Honorable
Michael O. Leavitt
Secretary of Health and Human Services
Washington, D.C. 20201

Dear Secretary Leavitt:

I regret that you felt compelled to write your July 17 letter threatening that the President would veto the Finance Committee's extension of the Children's Health Insurance Program — CHIP. As you acknowledge in your letter, CHIP "has made a significant difference in the health of lower income children." And as you further acknowledge, "Through 10 years of experience and bipartisan support, the State Children's Health Insurance Program (CHIP) serves as a valuable safety net for children in families who don't have the means to purchase affordable health care." I call on the administration to stop blocking the way and to join with Congress in extending this important program.

The administration appears to be holding children's health insurance hostage to Congress' adoption of the administration's larger health insurance tax and other health reform proposals. Regardless of the merits of the administration's tax proposal, it has proved far too controversial a matter for the Congress to adopt this year. The administration's health insurance tax proposal is far too heavy a weight for this modest children's health bill to carry. When the administration unveiled its tax proposals in the State of the Union address this year, I welcomed the contribution to the health care debate. I committed to review these proposals to determine whether they would bring new health coverage to uninsured Americans. And there should be a time to discuss your health tax proposals and broader health reform issues — once we've done what we should for America's children in need.

I differ with your attack on the financing for the Finance Committee's bill. We propose a 5-year extension of the Children's Health Insurance Program. And we propose a stream of revenues that more than offsets the spending in that 5-year period. We recognize that before the end of that 5-year period, Congress and the next President will have to reauthorize the program to set appropriate funding levels for the years after 2012. Moreover, we hope that by then, Congress and the next President will have entered into discussions about how to fundamentally reform our health care system.

I regret that you seem to object to more children getting help from a government-sponsored Children's Health Insurance Program. Those children "become dependent on government programs for health insurance coverage," in your words, because the existing system has failed them. I seek simply to get the most health insurance coverage to the most children. The Children's Health Insurance Program combines the best of public and private approaches to deliver vital health coverage to kids. Its structure in most states is not unlike that of the Medicare prescription drug benefit, in which Federal benchmarks and funds guide a program administered largely through private insurers. The vast majority of states contract with private companies to deliver all or some CHIP services to children.

I agree that CHIP should retain its "original focus of covering low-income children." It is ironic of this administration to complain, as it has been this administration's Department of Health and Human Services that has granted the overwhelming majority of the waivers that have expanded CHIP coverage to adults. You should be happy that our bill would prevent you from promulgating further waivers to expand coverage to adults. Current adult enrollment in CHIP stands at less than 10 percent of total enrollment. And it will be a smaller share after enactment of our bill. Our bill would prevent any additional states from extending CHIP to adults (other than to pregnant women). Our bill would end CHIP coverage of childless adults. Our bill would transition existing state CHIP coverage of parents to a block grant with a lower match rate. I hope that you would agree that we should not take precipitous actions to throw parents off the CHIP rolls, if that would also mean that fewer children would be covered.

I regret that you feel unable to support an increase in the cigarette tax. I view the cigarette tax increase as a health measure in and of itself. I understand that this cigarette tax increase would keep nearly 2 million children from smoking and encourage another nearly 1½ million adults to kick the habit. I understand that this cigarette tax increase would prevent nearly a million premature deaths caused by smoking. When given the choice between standing with big tobacco companies and standing with kids, I stand with America's children.

Likewise, your concerns that CHIP would become a program to cover higher-income American children are not supported by the facts. Fewer than 10 percent of children currently covered by CHIP live in families at or above twice the Federal poverty level — \$34,340 for a family of three. Only a few states with particularly high costs of living cover children at or above three times the poverty level. And they do so in order to provide CHIP's benefits to families whose higher incomes simply do not stretch very far where they live.

I am frankly surprised by your opposition to this program that the administration has so recently hailed. In October of 2004, the White House announced plans for a "Cover the Kids" campaign in which you committed to "launch an aggressive, billion-dollar effort to enroll eligible kids for quality health care coverage . . . with the goal of covering millions more CHIP and Medicaid-eligible children within the next two years." This is precisely what our bill to renew the Children's Health Insurance Program will do. In fact, we include funding, incentives, and outreach initiatives similar to your own fiscal year 2006 budget proposal to help states find and enroll the poorest children eligible for CHIP and Medicaid.

There should be no debate about whether the Children's Health Insurance Program merits additional investment and support. Millions of American families know that CHIP helped them to pay for doctor's visits and medicine when there was no other way. I hope that you will help to give more low-income children the healthy start that they deserve. Please join with the Congress to put kids first, as we renew and improve the Children's Health Insurance Program.

Sincerely,

A handwritten signature in blue ink that reads "Max Baucus". The signature is written in a cursive, flowing style.

Max Baucus
Chairman