

May 26, 2009

The Honorable Max Baucus
Chairman, Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Chuck Grassley
Ranking Member, Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510

Sent Via Email

Chairman Baucus and Senator Grassley:

The Association for Community Affiliated Plans (ACAP) is pleased to submit the following comments in response to the Senate Finance Committee's May 18th policy options paper entitled "*Financing Comprehensive Health Care Reform: Proposed Health System Savings and Revenue Options.*"

ACAP is a national trade organization representing 42 not-for-profit safety net health plans that serve more than six million Americans in Medicare, Medicaid, SCHIP, and other public health programs in 23 states. At this time, twenty-one ACAP members operate Special Needs Plans (SNPs) as an integral part of their mission to care for low-income and medically needy populations. In addition, many of our members have participated in state and local efforts to expand health coverage to their residents.

Because of ACAP's expertise in serving publicly-insured populations, our comments will focus specifically on those related to public health programs.

Section 1: Health System Savings

Extend to and Collect Rebates on Behalf of Managed Care Organizations (MCOs)

ACAP strongly supports the Committee's option to extend and collect the Medicaid drug rebate on behalf of Medicaid managed care organizations. The inability of states to collect rebates on behalf of drugs prescribed to enrollees in Medicaid health plans poses a serious threat to patient care and the ability of health plans to manage the Medicaid pharmacy benefit. The data that health plans receive from pharmacies regarding enrollees' drug utilization allows health plans to monitor patient compliance with treatment regimens, identify incidents of overprescribing and drug abuse, and reduce harmful drug interactions.

However, states are increasingly carving prescription drug management away from the health plans SOLELY for the purpose of obtaining savings through the Medicaid rebate, effectively destroying our ability to maintain and improve patient care. Equalizing the drug rebate to eliminate the incentive for states to carve-out prescription drugs will not only save \$11 billion

federal dollars over the next ten years¹, it will also preserve systems that allow health plans to protect their enrollees.

Recommendation: ACAP strongly supports the Senate Finance Committee's option to extend and collect the Medicaid drug rebate on behalf of Medicaid managed care organizations and urges its inclusion in the final package.

Increase the Medicaid Brand-Name and Generic Drug Rebate Amounts

ACAP opposes the increase in the Medicaid drug rebate from 15.1% to 23.1% **UNLESS** the rebate increase moves concurrently with the extension of the Medicaid rebate to Medicaid health plans. To be clear, we have no intrinsic opposition to the increase in the rebate. However, if the increase in the rebate were to move without also extending the Medicaid drug rebate to the Medicaid health plans, the pressure on fiscally-strapped states to carve-out prescription drugs from plan management would dramatically increase. This being said, ***we strongly support the movement of these two policies together***, believing that an increase in the rebate levels will increase the savings of extending the rebate to health plans.

Recommendation: ACAP supports the increase in the flat Medicaid drug rebate for brand name drugs from 15.1% to 23.1% and an increase in the basic Medicaid rebate for non-innovator, multisource drugs from 11 to 13% **ONLY IF** the Medicaid rebate is concurrently extended to the Medicaid health plans. **ACAP would be forced to oppose any legislation that increases the drug rebate percentages without also extending the rebate to health plans as a fundamental threat to the ability of our plans to maintain the integrity of their care management systems.**

Thank you for your efforts to reform the health care system and for this opportunity to submit comments on the policy options you are considering. If you have any questions or would like to follow-up on ACAP's comments, please do not hesitate to contact me at 202-204-7509 or at mmurray@communityplans.net.

Thank you again for your consideration of our comments.

Sincerely,



Meg Murray
Chief Executive Officer

¹ The Congressional Budget Office scored this policy in December 2008.