



August 1, 2005

Members

Alameda Alliance for Health
Ingrid Lamirault
Chief Executive Officer

Contra Costa Health Plan
Richard Harrison
Chief Executive Officer

Health Plan of San Joaquin
John R. Hackworth, PhD
Chief Executive Officer

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LHPC

Cherie L. Fields
Chief Executive Officer

Abbie A. Totten
Director, Managed Care Policy &
Analysis

Mary Adams
Association Coordinator

Lobbyist

James C. Gross
Nielsen, Merksamer, Parrinello,
Mueller & Naylor, LLP

The Honorable Dianne Feinstein
United States Senate
331 Senate Hart Office Building
Washington, DC 20510

Dear Senator Feinstein:

On behalf of Local Health Plans of California (LHPC), a non-profit member association representing eight local, publicly accountable, not-for-profit Medicaid managed care health plans in California that serve over 1.4 million Medi-Cal (Medicaid) and Healthy Families (SCHIP) beneficiaries, I am writing to ask you to become an original cosponsor of Senator Jeff Bingaman's legislation to provide Medicaid managed care organizations with access to the Medicaid drug rebates found in Section 1927 of the Social Security Act. Senator Bingaman is introducing the legislation to find savings in the Medicaid program.

The Local Health Plans (also known as the Local Initiatives) are not-for-profit health plans that provide quality integrated health care insurance in nine of California's Two-Plan model counties under the California's Medicaid managed care program. These counties are the largest in California and include Alameda, Contra Costa, Kern, Los Angeles, Riverside, San Bernardino, San Joaquin, San Francisco and Santa Clara. The Local Health Plans do not provide commercial health insurance products but rather focus their efforts on Medicaid and the uninsured. In addition, the LHPs only provide services within their designated county rather than on a statewide basis. As a result, the Local Health Plans do not have extensive market leverage in order to maximize rebates of prescription drugs.

Senator Bingaman's proposal to allow Medicaid managed care organizations access to the same Medicaid rebates provided to California is a logical next step as more Medicaid members move from fee-for-service into managed care. While states have not been able to take advantage of these rebates in the same manner as under fee-for-service, the state of California deducts from the health plans rates the rebates the State receives from pharmaceutical manufacturers. By providing actual access to these rebates to the health plan, the validity of the plans rates will be more accurately reflected. Moreover, since pharmaceuticals are the largest growing expenditure in Medicaid, providing the health plans access to the state's rebates will provide for additional cost savings to help maintain the health plans long-term financial viability.

The Local Health Plans of California and our member health plans are very supportive of Senator Bingaman's proposal and ask that you, as a leader of California, cosponsor this legislation. If you have any questions, please feel free to contact me at 916-448-8292 and I or my staff would be happy to answer any questions you may have. Thank you for your consideration.

Sincerely,

Cherie L. Fields
Chief Executive Officer

cc: Senator Jeff Bingaman, United States Senate
LHPC Governing Board
Margaret Murray, Executive Director, Association of Community Affiliated Plans



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The Honorable Barbara Boxer
United States Senate
112 Senate Hart Office Building
Washington, DC 20510

Dear Senator Boxer:

On behalf of Local Health Plans of California (LHPC), a non-profit member association representing eight local, publicly accountable, not-for-profit Medicaid managed care health plans in California that serve over 1.4 million Medi-Cal (Medicaid) and Healthy Families (SCHIP) beneficiaries, I am writing to ask you to become an original cosponsor of Senator Jeff Bingaman's legislation to provide Medicaid managed care organizations with access to the Medicaid drug rebates found in Section 1927 of the Social Security Act. Senator Bingaman is introducing the legislation to find savings in the Medicaid program.

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