

ACAP | Association for Community Affiliated Plans

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Darnell Dent, Chairman | Margaret A. Murray, Executive Director

September 14, 2007

The Honorable Max Baucus
Chairman, Senate Finance Committee

The Honorable John Dingell
Chairman, House Energy and Commerce Committee

The Honorable Charles Grassley
Ranking Member, Senate Finance Committee

The Honorable Charles Rangel
Chairman, House Ways and Means Committee

The Honorable Joe Barton, Ranking Member
House Energy and Commerce Committee

The Honorable Jim McCrery, Ranking Member
House Ways and Means Committee

Sent Via Email and Facsimile

Dear Gentlemen:

This letter offers the Association for Community Affiliated Plans' (ACAP) positions regarding the House and Senate legislation reauthorizing the Children's Health Insurance Program (H.R. 3162/H.R.976). ACAP represents 33 not-for-profit, safety net health plans serving over 4 million Medicaid, SCHIP and Medicare beneficiaries. ACAP applauds the House and Senate for passing these important bills reauthorizing the program.

ACAP strongly supports CHIP and believes that the efforts of both the House and the Senate are excellent steps toward ensuring that the uninsured children of working Americans have ongoing access to health insurance. Numerous studies have shown that a lack of insurance has a strong negative impact on the access to and affordability of health care services. Access to health insurance is particularly important for children to ensure that they grow into healthy, productive Americans. That is why CHIP is so important. We will continue to stand with Congress in support of reauthorizing CHIP and against efforts to under-fund or weaken the program.

In reviewing both bills, ACAP has identified several issues of importance to our health plan membership. This letter elaborates on our recommendations to ensure that this legislation does not have unintended effects on safety net health plans or the low-income Americans to whom we provide care. In advance, thank you for your consideration of these issues.

Medicaid: Without extending the Medicaid Drug Rebate to Medicaid Health plans, the House Package Undermines Medicaid Health Plans' Ability to Coordinate Care for Beneficiaries (Section 812 of the H.R.3162)

Issue: Currently, Federal law prohibits Medicaid health plans from acquiring prescription drugs for their Medicaid beneficiaries under the Medicaid drug rebate program. Although large health plans may be able to leverage their commercial patient base to negotiate deep discounts with prescription drug manufacturers, safety net health plans (which comprise an increasingly large portion of plans serving Medicaid beneficiaries) can only negotiate a fraction of the savings relative to the drug rebate. Despite this outdated policy which places plans at a disadvantage with respect to the federal rebate, pharmacy costs in the Medicaid managed care setting can still be lower on a per member per month basis than in FFS setting due to greater use of generics and other utilization and coordination methods. With the federal rebate as an additional tool, health plans could save the Medicaid program even more. According to the Congressional Budget Office, extending the drug rebate to Medicaid health

plans by using the text of legislation introduced by Representative Stupak and Senator Bingaman (H.R. 3041/S.1589) would save Federal taxpayers approximately \$800 million over 5 years and \$2.3 billion over 10 years.

Unfortunately, neither the House nor the Senate included the text of H.R. 3041/S.1589 in their CHIP reauthorization package. ***In fact, the House of Representatives' bill actually includes a provision that could undermine the ability of Medicaid health plans to coordinate care effectively for their enrollees.*** This provision – Section 812 of H.R.3162 – would increase the Medicaid drug rebate from its current 15% to 22%. Although unintended, the inclusion of this provision will increase a state's financial incentives to carve-out prescription drugs from the health plans – thus allowing states to reap the benefits of lower prescription drug costs, but ultimately eliminating the health plans' ability to integrate prescription drugs into an effective care coordination system. Unfortunately, ACAP will have to oppose this otherwise acceptable provision unless the text of H.R.3041/S.1589 is included in the conference agreement.

We believe that including the extension of the drug rebate in the House/Senate CHIP conference would accomplish several major objectives by (1) modernizing the program and recognizing the dramatic growth in Medicaid managed care enrollment over the last 15 years, (2) generating significant Federal and state Medicaid savings (thereby protecting beneficiaries from possible cuts in benefits or increases in cost sharing or other cost-cutting measures), and (3) ensuring that Medicaid health plans maintain risk for prescription drugs that will allow them to continue integrating prescription drugs into their care coordination systems.

ACAP Recommendation: Conferees should include the text of H.R.3041/S.1589 in the conference agreement on CHIP reauthorization language. If H.R.3041/S.1589 is included, ACAP also supports the inclusion of Section 812 of the House package. If the text of this legislation is not included, ACAP has serious concerns about the inclusion of Section 812 (to increase the Medicaid drug rebate to 22%) in the conference agreement.

CHIP and Medicaid: House and Senate Reauthorization Packages Address Key Issues of Importance to Safety Net Health Plans in Medicaid and CHIP

Issue: Studies suggest that roughly 8 million children lack health insurance coverage in the United States, and that two-thirds of these children are eligible for either Medicaid or CHIP. ACAP has been a strong supporter of both Medicaid and CHIP and strongly supports efforts to improve and strengthen them. That is why ACAP has gone on record to support various policies with respect to Medicaid and CHIP, including:

- Expanding CHIP benefits to include mental and dental health services
- Streamlining eligibility determinations for coverage under Medicaid and CHIP
- Addressing the onerous DRA provisions related to citizenship documentation
- Addressing the BBA restriction on Medicaid coverage for immigrants who are in the United States legally
- Creating a MedPAC-type entity to review provider payments under Medicaid and CHIP
- Protecting those states, aka “qualifying states,” that had extended coverage to low-income children prior to the creation of CHIP
- Extending Medicaid managed care quality standards to CHIP health plans

ACAP Recommendation: ACAP urges conferees to include the above identified issues in the conference version of the legislation. Below, ACAP urges conferees to accept the:

- Provisions that preserve and expand eligibility options for children and parents
- Provisions that expand CHIP dental health services and mental health coverage
- Provisions that streamline eligibility determinations for coverage under Medicaid and CHIP, aka Express Lane Eligibility
- Provisions addressing the onerous DRA provisions related to citizenship documentation
- Provisions that address the BBA restriction on Medicaid coverage for immigrants who are in the United States legally
- Provisions regarding the creation of a MedPAC-type entity to review payments under Medicaid and CHIP
- Provisions protecting those states, aka “qualifying states,” that had extended coverage to low-income children prior to the creation of CHIP

Medicare: House Package Strengthens Medicare Advantage Special Needs Plans Program and Ensures SNPs Have the Focus and Capabilities to Serve Special Needs Individuals (Section 431 of H.R.3162)

Issue: ACAP and our member plans strongly believe that the SNP program serves an important and vital role in meeting the needs of low-income, chronically ill, and institutionalized Medicare beneficiaries. Many of these beneficiaries have complex, co-morbid, medical conditions that may include serious behavioral health conditions. In addition to their health conditions, low-income beneficiaries (many of which are dually eligible for both Medicare and Medicaid) experience many non-medical obstacles, including, but not limited to, hunger, homelessness, lack of transportation, and limited English proficiency. Given these medical and non-medical challenges faced by many dual eligible beneficiaries, it is critical that the SNPs serving dual eligibles have the capacity to integrate Medicare and Medicaid benefits and link beneficiaries to critical social services that will enable them to better care for themselves, as well as demonstrate the ability to deliver complex care management for high-risk beneficiaries.

That is why ACAP has supported to adoption of new requirements for Medicare Advantage SNPs, and, in particular, SNPs for dual eligible beneficiaries. We have gone on record supporting requirements that plans either (1) have a contract with the state Medicaid Agency to deliver Medicaid services to dual eligible beneficiaries who are also enrolled in the plan’s specialized MA plan serving special needs individuals, and/or (2) demonstrate that they have the core competencies, staff expertise, and dedicated resources to meet the health needs of dual eligible beneficiaries, including but not limited to:

- Linguistically and culturally appropriate communications, both written and telephonic;
- Capabilities to assist beneficiaries with Medicaid and Medicare eligibility;
- Ability to link beneficiaries with community based social services;
- Ability to assist beneficiaries in coordinating Medicare, Medicaid and social service supports through the plan;
- Complex care management services appropriate for meeting the health needs of dual eligible beneficiaries;
- Mental health care management services appropriate for meeting the health needs of dual eligible beneficiaries.

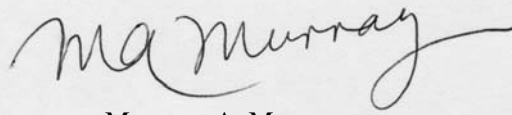
ACAP believes that Section 431 of H.R. 3162 makes great progress in achieving these goals.

ACAP Recommendation: ACAP urges conferees to include Section 431 of the House of Representatives CHIP reauthorization package (H.R. 3162) in the conference agreement or to pass legislation including provisions reauthorizing and establishing standards for the SNP program by the end of the year.

ACAP's safety net health plans (SNHPs) are community-based, not-for-profit health plans committed to providing comprehensive, integrated health benefits to chronically ill, dual eligible beneficiaries. We urge Congress to ensure SNHPs that offer SNPs are adequately compensated so they are able to continue providing specialized care to low-income dual eligible beneficiaries.

Thank you for your consideration of these important issues. We look forward to working with you to ensure that CHIP is reauthorized and that these other Medicaid and Medicare issues are addressed. Please do not hesitate to contact me if I can be of any assistance to you or your staff.

Sincerely,

A handwritten signature in black ink that reads "ma murray". The signature is written in a cursive, lowercase style.

Margaret A. Murray
Chief Executive Officer

Cc: The Honorable Jay Rockefeller, Chairman, Finance Health Subcommittee
The Honorable Orrin Hatch, Ranking Member, Finance Health Subcommittee
The Honorable Frank Pallone, Chairman, House Energy and Commerce Health Subcommittee
The Honorable Pete Stark, Chairman, House Ways and Means Health Subcommittee
The Honorable Nathan Deal, Ranking Member, House Energy and Commerce Health Subcommittee
The Honorable Dave Camp, Ranking Member, House Ways and Means Health Subcommittee