



Meridian

Health Plan

January 9, 2013

Dr. Donald Williamson
State Health Officer
Alabama Department of Public Health
The RSA Tower-15th Floor
201 Monroe Street
Montgomery, AL 36104

Dear Dr. Williamson:

Our company extends its sincerest appreciation to you and your team for your invitation to speak to the Alabama Medicaid Advisory Commission on the opportunity of Managed Care Organizations (MCO).

Our initial review of the data shows an insignificant amount of savings in the FQHC/RHC, Specialty, Primary Care, Mental Health/Substance abuse, Lab/Radiology categories. In addition, any managed care factor applied to the Hospital and Nursing Facility reimbursements would negatively impact the State of Alabama financially based on the current CMS funding programs. Pharmacy is the only area we believe offers an opportunity to improve the financial stability and patient care currently.

In short, we do not believe that Alabama can successfully implement a comprehensive managed care plan that would justify such a shift unless there is a change in the CMS funding specifically related to the Certified Public Expenditures for Hospitals. Although we compete in both the MCO and PBM markets, we have long since concluded that an MCO is not a winning proposition for Alabama at this time. Once pharmacy is subtracted from the potential MCO savings, there are no other categories with sufficient savings to justify the changeover to an MCO at this time.

Because we feel we owe it to the State of Alabama to be candid, we are informing you of our opinion regarding a possible MCO implementation for the State of Alabama. Although we stand ready to attend the Medicaid Advisory Commission and testify should that be your wish, we would be compelled to speak honestly on both the pros and cons of an MCO implementation for Alabama Medicaid.

Sincerely,

Raymond Pitera
Vice President of Business Development