



The Pennsylvania Association of Medical Suppliers
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June 18, 2008

Hon. Joseph B. Scarnatti
President Pro Tempore
Senate of Pennsylvania
Senate Box 203025
292 Capitol Building
Harrisburg, PA 17120-3025

Dear Senator Scarnatti:

On behalf of the 150 members of the Pennsylvania Association of Medical Suppliers, I am urging you to reject the Department of Public Welfare's (DPW) proposal to "carve out" the management of the pharmacy benefit for more than one million Pennsylvanians currently enrolled in the Medical Assistance Managed Care program.

Many of our members operate small specialty pharmacies that provide cost-saving home infusion therapy. A carve-out would jeopardize the quality of healthcare these Medical Assistance recipients currently receive and it would place an enormous financial risk on the Commonwealth.

DPW seeks to take over delivery of this benefit as part of a broader effort to save money. While we applaud any effort to reduce costs while improving the delivery of key healthcare services, a carve-out will result in reduced access and a reduced level of care.

As you are well aware, the men, women and children enrolled in the Medical Assistance program are among the most vulnerable of our citizens. Many of these Medicaid recipients are chronically ill and they require a strong, hands-on, day-to-day management of their healthcare needs. Their challenges mandate a comprehensive and integrated approach to the delivery of care.

Under managed care, Medicaid recipients receive all of their care in an integrated fashion: primary care physician visits, specialty care and pharmacy services. This approach is absolutely critical to ensure the highest level of care and the most efficient use of taxpayer dollars.

The managed care approach is working, according to independent reviews. The Managed Care Organizations under contract with DPW to manage the program have generated \$2.7 billion in savings in a five-year period according to a study by the healthcare consulting firm, The Lewin Group. That is \$2.7 billion in taxpayer resources that can be dedicated to other critical needs.

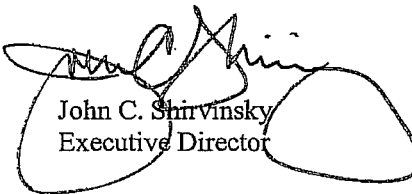
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The MCOs have managed to keep the escalating costs of healthcare in check as well. National Health Expenditures have grown by an average of more than seven percent in each of the past three years. The rate increase for the MCOs has averaged less than four percent in recent years.

Our members are among the most active healthcare providers in this Commonwealth. In fact, PAMS is the oldest such association of its kind in the nation. As such, we are well versed in the nuances of Medicaid policy – and in dealing with this challenging population. A carve-out would not serve the patients' interests and would not serve the taxpayer's interest.

Please feel free to contact me directly if you have any questions.

Sincerely,



John C. Shirvinsky
Executive Director