



February 3, 2009

The Honorable Harry M. Reid
Majority Leader
United States Senate
Washington, D.C. 20510

Dear Majority Leader Reid:

As CEO and Chairman of Molina Healthcare, I write to express my strong support for the economic stimulus package currently being considered by the Senate. I would like to bring to your attention several key Medicaid issues that have been raised in the debate on the American Recovery and Reinvestment Act of 2009 and ask for your assistance in working to secure their inclusion in the legislation.

As you are acutely aware, states are experiencing record budget deficits, rising unemployment rates, and declining revenues. In a weak economy, when more individuals turn to the Medicaid program for critical healthcare services, states often cut this program in an effort to balance their budgets. Such actions severely impact our most vulnerable citizens during these difficult times. I appreciate your strong support for a temporary increase of the Federal Medical Assistance Percentage (FMAP) as part of the economic stimulus package. I would also like to highlight additional steps that Congress can take to strengthen the Medicaid program.

First, Molina Healthcare strongly supports extending a provision of the Deficit Reduction Act of 2005 that allows for the continuation of provider taxes on Medicaid managed care organizations (MCOs) that states enacted before December 8, 2005. Several states have been relying on taxes on Medicaid MCOs to generate revenues for their state Medicaid programs. We support the extension of this provision beyond September 2009, so states can continue to sustain vital Medicaid services.

In addition, the Medicaid drug rebate program ensures that State Medicaid programs receive the best price for prescription drugs for their beneficiaries through pharmaceutical manufacturer rebates. However, Medicaid managed care organizations are not currently eligible for rebates on generic and brand name prescription medications. Molina Healthcare supports the Drug Rebate Equalization Act (DRE), introduced by Senator Jeff Bingaman in the 110th Congress, to extend the federal drug rebate program to Medicaid managed care organizations. Accessing these rebates will achieve important savings for states in the Medicaid program. In fact, The Lewin Group released a study in 2008 which demonstrates that the federal government and states could collectively save \$31.4 billion over ten years if Congress passes the DRE.

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Furthermore, I urge you to consider the importance of maintaining adequate payments to Medicaid providers and Medicaid managed care organizations. Medicaid health plans such as Molina Healthcare, Inc. have a demonstrated record of improving health care access and quality for their enrollees and I hope you will work to ensure that Medicaid funding increases in the economic stimulus bill include protections for the millions of beneficiaries who rely on Medicaid MCOs.

Finally, Molina strongly supports the enforcement of requirements that state Medicaid programs must establish managed care payment rates in an actuarially sound manner. Actuarial soundness is a critical protection for beneficiaries and allows sustainability of managed care programs. We encourage you to include report language addressing this priority in the conference report for the final economic recovery package.

Molina Healthcare has cared for Medicaid beneficiaries since 1980, and we currently serve over one million Medicaid and SCHIP beneficiaries in California, Florida, Michigan, Missouri, New Mexico, Ohio, Texas, Utah and Washington. We have seen firsthand the value that Medicaid services offer our beneficiaries and understand the importance of such health coverage.

I urge your leadership in supporting a economic stimulus package that includes these important Medicaid provisions which will help states avert cuts in Medicaid, a vital safety net program for individuals most in need.

Sincerely,



J. Mario Molina, MD
CEO and Chairman
Molina Healthcare, Inc.