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November 1, 2011

Mr. Bill Moore, R.Ph.
Chair, AIP-Texas
1624 East Anderson Lane
Austin, Texas 78761-4709

Dear Bill,

The American Pharmacies' Board of Directors and I wish to sincerely thank you and the AIP-Texas Directors for AIP-Texas' extremely generous contribution of \$50,000.00 to American Pharmacies' legal defense fund for the Medicaid lawsuit.

As you know, the Texas Health and Human Services Commission (HHSC) is seeking federal approval to move Texas' Medicaid program's prescription drug benefit from a fee-for-service model to managed care. HHSC submitted a Section 1115 Medicaid Research and Demonstration Waiver (necessary to transition to managed care) to the Centers for Medicare and Medicaid Services (CMS) on July 13. HHSC hopes to obtain CMS approval of the Waiver in time to fully implement managed care by March 1, 2012. As you know, the managed care model is being rushed into place without any economic impact study by the state or any meaningful public comment period, threatening both vulnerable Medicaid patients and the community pharmacies that serve them.

On August 29, American Pharmacies filed a lawsuit in Travis County against HHSC for its failure to comply with state procedural requirements requiring meaningful public notice and public comment in connection with its Waiver request to CMS. It is rumored that CMS will grant HHSC's Waiver request soon. CMS has granted preliminary approval to the state to proceed with its transition to managed care. In a letter dated September 14, Cindy Mann of CMS told HHSC that it could proceed with Phase 1 of its managed care expansion. Mann said final approval of HHSC's waiver request would not come before September 30, at earliest, "pending approval of all outstanding issues." If the waiver is granted, American Pharmacies will still be able to pursue our legal challenges in court.

On November 3, the court will hear American Pharmacies' Motion for Summary Judgment against the Texas Health and Human Services Commission (HHSC) over HHSC's planned transition to managed care for the Texas Medicaid prescription drug benefit. The Motion for Summary Judgment means that American Pharmacies is asking the judge to rule immediately on the merits of the lawsuit. The decision will likely be appealed by either side.

The legal team continues to explore and evaluate all additional meritorious legal actions against HHSC and CMS in order to halt implementation of Medicaid managed care. American Pharmacies is funding this lawsuit, and we could not do so without these generous contributions from AIP-Texas and others. Please see our website for more information: <http://www.aprx.org/>

If you have any questions or feedback about the lawsuit as it progresses, please contact our General Counsel, Amanda Gohlke Fields at afields@aprx.org. Additionally, if you or your members ever have any information to contribute regarding this topic, as to developments occurring in your day-to-day practice, such as contractual negotiations with various Medicaid managed care organizations and pharmacy benefit managers, please email her with that information.

Thank you for AIP-Texas' support and commitment to American Pharmacies' mission to ensure the continued success of the independent pharmacy profession. We appreciate our strong collaboration with AIP-Texas and the excellent results that we can achieve together.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Gohlke". The signature is fluid and cursive, with the first name "Mike" written in a larger, more prominent script than the last name "Gohlke".

Mike Gohlke, President
American Pharmacies