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**LOCAL HEALTH PLANS OF CALIFORNIA BACK MCO TAX
Group Representing Seven Million Medi-Cal Patients Say Enactment
“Absorbable and Supportable”**

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SACRAMENTO -- The [Local Health Plans of California](#) (LHPC), a group representing [16](#) of the not-for-profit local health plans that serve nearly 70 percent (over 7 million) of the 10.2 million Californians enrolled in Medi-Cal, today announced its support of Governor Jerry Brown’s [Managed Care Organization \(MCO\) tax proposal](#).

“The MCO tax provides a critical and stable source of funding to Medi-Cal managed care and helps sustain the program today,” notes Brianna Lierman, LHPC’s Chief Executive Officer. “The federal government’s pronouncement that the MCO tax must be reformulated to apply to all health plans, including those that do not serve the Medi-Cal program led to partnership between the plans and the Department to work together to arrive at a feasible solution. We believe that the Department has devised a new MCO tax model that is fair and meets federal requirements.”

Under the new MCO model, local plans will continue to pay the tax on their Medi-Cal enrollment. But, like their commercial plan counterparts, local plans will also begin paying a tax on their commercial lines of business.

Notably, because of their non-profit status, the LHPC plans will not benefit from policy reforms included in the package. “Despite this, we believe that the tax applied to commercial lines of business is absorbable and supportable – particularly because we recognize it is a critical component to ensuring the continuation of the MCO tax altogether,” noted Lierman.

If this MCO tax package fails, the Medi-Cal program will lose an estimated \$1.1 billion in critical funding. “This loss can neither be absorbed without crisis nor replaced with a source of funding that is nearly as predictable and stable as the MCO tax,” she says.

Local health plans were established by their communities to serve the safety net. They have partnered with the Department of Health Care Services (Department) and the Medi-Cal program for over 25 years.

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