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**DATE:** October 16, 2018

**FROM:** **Julie Boughn**  
Center for Medicaid and CHIP Services (CMCS)/Data and Systems Group (DSG)

**SUBJECT:** **Calendar Year (CY) 2019 Jan - Sep Phased-down State Contribution Final Per-Capita Rates**

As you know, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) requires that the Centers for Medicare & Medicaid Services (CMS) notify each State, no later than October 15 of each calendar year (CY), of its annual per capita drug payment expenditure amount for the following year. Payments for the phased-down State contribution are made on a monthly basis. These payments are defined by the MMA to be the product of the annual per capita full dual-eligible drug payment amount and the monthly State enrollment of full dual eligibles.

This letter<sup>1</sup> is to notify you of the phased-down State contribution full dual-eligible per capita Medicaid drug payment amount for January – September 2019, as required by the MMA.

Jan - Sep 2019 phased-down State contribution per capita rates are shown in Attachment 1. The per capita drug expenditure amount for Jan - Sep 2019 is based on the value for Oct - Dec 2018 with the following adjustments:

1. The value is adjusted by the annual percentage increase (API) in per capita Part D expenditures for the 2019 contract year (1.94 percent), along with an adjustment to account for any revisions to prior year estimates of per capita drug cost growth from 2003 to 2006. Since there was no revision to prior year estimates, the total growth rate is 1.94 percent.
2. There is no change in the discount factor for 2019, because the phased-down factor for the previous year and this update year is 75 percent.
3. Based on the effects of the API update and the unchanged phased-down contribution percentage, the net change in the State phased-down per capita drug payment amount for CY2019 is 1.94 percent. Details are described in Attachment 2, provided by the CMS Office of the Actuary.

For inquiries regarding Dual Eligibles, please contact:

- Sharon.Donovan1@cms.hhs.gov

For inquiries regarding SPD Billing Procedures and System-related inquiries, please contact:

- Keith.Johnson@cms.hhs.gov and Fanta.Bowman@cms.hhs.gov
- Phyllis.Martin@cms.hhs.gov and DMEPSEDBSSStaff@cms.hhs.gov

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<sup>1</sup> For distribution request of this letter please go to Medicaid.gov, select “Sign-up for Website and Program Update” then select the “CMCS Informational Bulletin” Subscription topic

**ATTACHMENT 1: Phased-down State Contribution Rates January - September 2019**

<u>STATE</u>	<u>STATE NAME</u>	<u>Jan-Sep 2019</u>
AL	Alabama	73.06
AK	Alaska	188.35
AZ	Arizona	58.39
AR	Arkansas	70.17
CA	California	127.31
CO	Colorado	164.04
CT	Connecticut	201.81
DE	Delaware	137.33
DC	District of Columbia	72.38
FL	Florida	137.79
GA	Georgia	94.50
HI	Hawaii	108.16
ID	Idaho	104.82
IL	Illinois	163.87
IN	Indiana	115.76
IA	Iowa	139.52
KS	Kansas	147.56
KY	Kentucky	92.52
LA	Louisiana	113.03
ME	Maine	102.01
MD	Maryland	172.39
MA	Massachusetts	135.13
MI	Michigan	86.90
MN	Minnesota	166.39
MS	Mississippi	59.83
MO	Missouri	140.86
MT	Montana	113.87
NE	Nebraska	163.52
NV	Nevada	109.70
NH	New Hampshire	191.64
NJ	New Jersey	206.19
NM	New Mexico	62.04
NY	New York	152.03
NC	North Carolina	111.11
ND	North Dakota	144.58
OH	Ohio	151.36
OK	Oklahoma	94.16
OR	Oregon	126.07
PA	Pennsylvania	169.84
RI	Rhode Island	155.52
SC	South Carolina	66.97
SD	South Dakota	145.54
TN	Tennessee	128.63
TX	Texas	107.61
UT	Utah	116.36
VT	Vermont	145.19
VA	Virginia	173.62
WA	Washington	164.36
WV	West Virginia	78.42
WI	Wisconsin	138.61
WY	Wyoming	181.46

## ATTACHMENT 2: Phased-Down State Contribution to Part D Annual Rate Update for 2019

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) requires CMS to calculate the payment rates for the Phased-Down State Contribution (PDSC) to Part D each year using the latest available National Health Expenditure (NHE) estimates of per capita drug expenditure growth for the period 2003 to 2006, combined with the annual percentage increase (API) in average per capita aggregate Part D expenditures for 2007 and later years, as defined in section 1860D-2(b)(6) of the Social Security Act. As announced on April 2, 2018, the API for 2019 is 1.94%.<sup>2</sup>

The 2019 API includes an adjustment for revisions to the 2008 through 2018 percentage increases, based on subsequent data and projections, as described in the April 2 announcement. Since the MMA requires use of the latest NHE estimates for 2003 through 2006, the 2019 PDSC rates must also be adjusted for updates, if any, to estimates of per capita prescription drug expenditure growth for the period 2003 to 2006 that have occurred since the promulgation of the 2018 rates. The 2018 rates were based on historical NHE estimates from January 2017 and reflected a cumulative per capita prescription drug expenditure growth rate of 23.48% from 2003 to 2006. The current, January 2017, NHE estimates also show the same cumulative growth rate of 23.48% for this period.<sup>3</sup> As a result, the 2019 PDSC rates do not include an adjustment for the updated 2003 to 2006 growth estimates, because there was no change.

The PDSC payment rates include a discount factor (the “factor for the month” specified in section 1935(c)(5)), which is 75% in 2015 and subsequent years. Consequently, there is no change in the discount factor for 2019, and the net PDSC payment rate will increase by 1.94%. The table below summarizes these calculations.

### 2019 Phased-down State Contribution Payment Rate Increase

Annual Percentage Increase for 2018	1.94%
Adjustment for updated 2003-2006 growth	0.00%
2017 PDSC payment rate increase	1.94%

Note: Percentages in this table are multiplicative, not additive. Calculations based on displayed values may vary from results shown, since values are carried to additional decimal places.

For inquiries regarding the Part D per capita rate calculations, contact Christopher.Truffer@cms.hhs.gov.

Office of the Actuary  
October 4, 2018

<sup>2</sup> See table V-3 of <http://www.cms.gov/MedicareAdvtgSpecRateStats/Downloads/Announcement2019.pdf>, Details of the API calculation are contained in Attachment V.

<sup>3</sup> The current per capita estimates are \$609 for 2003 and \$752 for 2006. These can be found in the NHE tables at <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/tables.zip>. See Table 02.