

DHHS - Agy 047 Office of Medicaid  
Div III 3/3/17

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop 52-26-12  
Baltimore, Maryland 21244-1850



**Data and Systems Group**

**RE: Calendar Year (CY) 2017 Jan - Sep Phased-down State Contribution Final Per-Capita Rates**

October 28, 2016

Dear State Medicaid Director:

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 eligible.

This letter is to notify you of the phased-down State contribution full dual-eligible per capita Medicaid drug payment amount for January – September 2017, as required by the MMA.

Jan - Sep 2017 phased-down State contribution per capita rates are shown in Attachment 1. The per capita drug expenditure amount for Jan - Sep 2017 is based on the value for Oct - Dec 2016 with the following adjustments:

1. The value is adjusted by the annual percentage increase (API) in per capita Part D expenditures for the 2017 contract year (11.75 percent), along with an adjustment to account for revisions to prior year estimates of per capita drug cost growth from 2003 to 2006 (0.16 percent). This results in a total growth rate of 11.93 percent.
2. There is no change in the discount factor for 2017, 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 reduction in the phased-down contribution percentage, the net change in the State phased-down per capita drug payment amount for CY2017 is 11.93 percent. Details are described in Attachment 2, provided by the CMS Office of the Actuary.

Questions regarding these calculations may be directed to Christian Wolfe at 410-786-2266 or [christian.wolfe@cms.hhs.gov](mailto:christian.wolfe@cms.hhs.gov)

Sincerely,

/s/

Jessica Kahn  
Director, Data & Systems Group

**ATTACHMENT 1: Phased-down State Contribution Rates January-September 2017**

<b><u>STATE</u></b>	<b><u>STATE NAME</u></b>	<b><u>Jan-Sep 2017</u></b>
AL	Alabama	75.13
AK	Alaska	182.54
AZ	Arizona	57.66
AR	Arkansas	69.90
CA	California	123.38
CO	Colorado	158.91
CT	Connecticut	195.58
DE	Delaware	143.59
DC	District of Columbia	70.15
FL	Florida	132.75
GA	Georgia	90.82
HI	Hawaii	102.53
ID	Idaho	100.25
IL	Illinois	155.65
IN	Indiana	109.62
IA	Iowa	145.97
KS	Kansas	145.98
KY	Kentucky	93.50
LA	Louisiana	118.06
ME	Maine	99.25
MD	Maryland	167.07
MA	Massachusetts	130.96
MI	Michigan	82.56
MN	Minnesota	161.26
MS	Mississippi	62.31
MO	Missouri	145.16
MT	Montana	110.29
NE	Nebraska	160.91
NV	Nevada	106.92
NH	New Hampshire	185.73
NJ	New Jersey	199.83
NM	New Mexico	62.57
NY	New York	147.34
NC	North Carolina	108.60
ND	North Dakota	140.12
OH	Ohio	149.75
OK	Oklahoma	97.18
OR	Oregon	115.94
PA	Pennsylvania	166.22
RI	Rhode Island	155.64
SC	South Carolina	64.73
SD	South Dakota	146.82
TN	Tennessee	127.99
TX	Texas	109.31
UT	Utah	112.07
VT	Vermont	138.97
VA	Virginia	168.26
WA	Washington	159.29
WV	West Virginia	83.53
WI	Wisconsin	137.17
WY	Wyoming	175.86

**ATTACHMENT 2: Phased-Down State Contribution to Part D Annual Rate Update for 2017**

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 4, 2016, the API for 2017 is 11.75%.<sup>1</sup>

The 2017 API includes an adjustment for revisions to the 2007 through 2016 percentage increases, based on subsequent data and projections, as described in the April 4 announcement. Since the MMA requires use of the latest NHE estimates for 2003 through 2006, the 2017 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 2016 rates. The 2016 rates were based on historical NHE estimates from January 2015 and reflected a cumulative per capita prescription drug expenditure growth rate of 23.28% from 2003 to 2006. The current, January 2016, NHE estimates show a cumulative growth rate of 23.48% for the same period.<sup>2</sup> Accordingly, the 2017 PDSC rates include a multiplicative adjustment of 0.16% ( $1.2348/1.2328 - 1$ ) to account for the updated 2003 to 2006 growth estimates. When applied to the 2017 API of 11.75%, this adjustment results in a net per capita prescription drug expenditure increase for 2017 of 11.93% ( $1.1175 \times 1.0016 - 1$ ).

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 2017, and the net PDSC payment rate will increase by 11.93%. The table below summarizes these calculations.

**2017 Phased-down State Contribution Payment Rate Increase**

Annual Percentage Increase for 2017	11.75%
Adjustment for updated 2003-2006 growth	0.16%
2017 PDSC payment rate increase	11.93%

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.

Office of the Actuary  
October 26, 2016

<sup>1</sup> See <http://www.cms.gov/MedicareAdvtgSpecRateStats/Downloads/Announcement2017.pdf>. Details of the API calculation are contained in Section C of Attachment V.

<sup>2</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.