



---

**RE: Calendar Year (CY) 2014 Jan - Sep Phased-down State Contribution Final Per-Capita Rates**

October 15, 2013

Dear State Medicaid Director:

As you know, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) requires 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 is to notify you of the phased-down State contribution full dual-eligible per capita Medicaid drug payment amount for January – September 2014, as required by the MMA.

Jan - Sep 2014 phased-down State contribution per capita rates are shown in Attachment 1. The per capita drug expenditure amount for Jan - Sep 2014 is based on the value for Oct - Dec 2013 with the following adjustments:

1. The value is adjusted by the annual percentage increase (API) in per capita Part D expenditures for the 2014 contract year (-4.03 percent), along with an adjustment to account for revisions to prior year estimates of per capita drug cost growth from 2003 to 2006 (0.00 percent). This results in a total growth rate of -4.03 percent.
2. The phased-down contribution percentage is reduced from  $78\frac{1}{3}$  percent of projected State per capita expenditures to  $76\frac{2}{3}$  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 CY2014 is -6.07 percent. Details are described in Attachment 2, provided by the CMS Office of the Actuary.

Questions regarding these calculations may be directed to Vasanthi Kandasamy, Division of Information Analysis and Technical Assistance, Data and Systems Group, at 410-786-0433 or via email at [Vasanthi.Kandasamy@cms.hhs.gov](mailto:Vasanthi.Kandasamy@cms.hhs.gov).

Sincerely,

/s/

Elaine Olin  
Director, Data & Systems Group

**ATTACHMENT 1: Phased-down State Contribution Rates January-September 2014**

| <u>STATE</u> | <u>STATE NAME</u>    | <u>Jan-Sep 2014</u> |
|--------------|----------------------|---------------------|
| AL           | Alabama              | 63.37               |
| AK           | Alaska               | 144.11              |
| AZ           | Arizona              | 48.49               |
| AR           | Arkansas             | 54.43               |
| CA           | California           | 97.40               |
| CO           | Colorado             | 125.50              |
| CT           | Connecticut          | 154.40              |
| DE           | Delaware             | 110.61              |
| DC           | District of Columbia | 55.38               |
| FL           | Florida              | 111.03              |
| GA           | Georgia              | 76.07               |
| HI           | Hawaii               | 86.47               |
| ID           | Idaho                | 78.78               |
| IL           | Illinois             | 126.16              |
| IN           | Indiana              | 86.07               |
| IA           | Iowa                 | 112.07              |
| KS           | Kansas               | 113.40              |
| KY           | Kentucky             | 75.39               |
| LA           | Louisiana            | 93.62               |
| ME           | Maine                | 84.58               |
| MD           | Maryland             | 131.89              |
| MA           | Massachusetts        | 103.39              |
| MI           | Michigan             | 62.99               |
| MN           | Minnesota            | 127.30              |
| MS           | Mississippi          | 52.25               |
| MO           | Missouri             | 118.27              |
| MT           | Montana              | 85.12               |
| NE           | Nebraska             | 119.41              |
| NV           | Nevada               | 88.16               |
| NH           | New Hampshire        | 146.62              |
| NJ           | New Jersey           | 157.75              |
| NM           | New Mexico           | 52.70               |
| NY           | New York             | 116.32              |
| NC           | North Carolina       | 88.58               |
| ND           | North Dakota         | 110.62              |
| OH           | Ohio                 | 116.03              |
| OK           | Oklahoma             | 68.90               |
| OR           | Oregon               | 94.96               |
| PA           | Pennsylvania         | 126.48              |
| RI           | Rhode Island         | 125.16              |
| SC           | South Carolina       | 52.40               |
| SD           | South Dakota         | 119.51              |
| TN           | Tennessee            | 100.09              |
| TX           | Texas                | 81.35               |
| UT           | Utah                 | 87.18               |
| VT           | Vermont              | 108.14              |
| VA           | Virginia             | 132.84              |
| WA           | Washington           | 125.75              |
| WV           | West Virginia        | 67.60               |
| WI           | Wisconsin            | 106.85              |
| WY           | Wyoming              | 138.83              |

## ATTACHMENT 2: Phased-Down State Contribution to Part D Annual Rate Update for 2014

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 1, 2013, the API for 2014 is -4.03%.<sup>1</sup>

The 2014 API includes an adjustment for revisions to the 2007 through 2013 percentage increases, based on subsequent data and projections, as described in the April 1 announcement. Since the MMA requires use of the latest NHE estimates for 2003 through 2006, the 2014 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 2013 rates. The 2013 rates were based on historical NHE estimates from January 2012 and reflected a cumulative per capita prescription drug expenditure growth rate of 23.89% from 2003 to 2006. The current, January 2013, NHE estimates show the same cumulative growth rate for that period.<sup>2</sup> Consequently, no adjustment for 2003 to 2006 growth is needed.

The final PDSC payment rates include a discount factor (the “factor for the month” specified in section 1935(c)(5)), which is 76<sup>2</sup>/<sub>3</sub>% in 2014. Since the factor for 2013 was 78<sup>1</sup>/<sub>3</sub>%, the 2014 payment rates will include an adjustment of -2.13% ( $76\frac{2}{3}/78\frac{1}{3} - 1$ ) and the net payment rate will decrease by 6.07% ( $(1 - 0.0403) \times 76\frac{2}{3}/78\frac{1}{3} - 1 = -0.0607$ ). The table below summarizes these calculations.

### 2014 Phased-down State Contribution Payment Rate Increase

|   |        |
|---|--------|
| Annual Percentage Increase for 2014       | -4.03% |
| Adjustment for updated 2003-2006 growth   | 0.00%  |
| 2014 PDSC per capita expenditure increase | -4.03% |
| Change in discount factor                 | -2.13% |
| Final 2014 PDSC payment rate increase     | -6.07% |

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  
September 6, 2013

---

<sup>1</sup> See <http://www.cms.gov/MedicareAdvtgSpecRateStats/Downloads/Announcement2014.pdf>.

Details of the API calculation are contained in Attachment VI.

<sup>2</sup> The current per capita estimates are \$607 for 2003 and \$752 for 2006. These values are derived from data found at <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/nhe2011.zip>.