



Financial Management Group

**RE: January – September 2027 Phased-Down
State Contribution Final Per-Capita Rates**

September 25, 2026

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-benefit dually eligible beneficiaries.

This letter¹ is to notify you of the phased-down State contribution full dual-eligible per capita Medicaid drug payment amount for the time period of January – September 2027. The January – September 2027 phased-down State contribution per capita rates are shown in Attachments 1 and 2. The per capita drug expenditure amount for January – September 2027 is based on the following adjustments:

1. The value is adjusted by the annual percentage increase (API) in per capita Part D expenditures for the 2027 contract year (13.65 percent).²
2. There is no change in the discount factor for 2027, 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 calendar year 2027 is 13.65 percent. Details are described in Attachment 2, provided by the CMS Office of the Actuary.

For inquiries regarding data reporting and dual eligibility, please contact:

• MMCO_MMA@cms.hhs.gov

¹ 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.

² “Announcement of Calendar Year (CY) 2027 Medicare Advantage (MA) Capitation Rates and Part C and Part D Payment Policies,” April 6, 2026. <https://www.cms.gov/files/document/2027-announcement.pdf>.

For inquiries regarding State-Phased Down (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 DMEPSDBSSStaff@cms.hhs.gov

For inquiries regarding the Part D per capita rate calculations:

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Sincerely,

Rory Howe
Director

ATTACHMENT 1: Phased-Down State Contribution Rates for January – September 2027

State	State Name	January – September 2027 Rates
AL	Alabama	120.73
AK	Alaska	310.12
AZ	Arizona	118.49
AR	Arkansas	118.75
CA	California	215.52
CO	Colorado	277.69
CT	Connecticut	341.63
DE	Delaware	217.25
DC	District of Columbia	122.53
FL	Florida	265.69
GA	Georgia	164.86
HI	Hawaii	165.34
ID	Idaho	200.93
IL	Illinois	262.90
IN	Indiana	200.11
IA	Iowa	216.14
KS	Kansas	218.36
KY	Kentucky	157.24
LA	Louisiana	174.18
ME	Maine	191.67
MD	Maryland	291.83
MA	Massachusetts	228.76
MI	Michigan	141.94
MN	Minnesota	274.01
MS	Mississippi	97.30
MO	Missouri	244.11
MT	Montana	223.70
NE	Nebraska	265.37
NV	Nevada	215.10
NH	New Hampshire	324.43
NJ	New Jersey	349.05
NM	New Mexico	108.01
NY	New York	257.37
NC	North Carolina	205.28
ND	North Dakota	230.51
OH	Ohio	242.14
OK	Oklahoma	144.66
OR	Oregon	238.38
PA	Pennsylvania	256.44
RI	Rhode Island	234.18
SC	South Carolina	121.02
SD	South Dakota	281.39
TN	Tennessee	233.89
TX	Texas	180.65
UT	Utah	247.45
VT	Vermont	225.15
VA	Virginia	293.80
WA	Washington	278.23
WV	West Virginia	133.22
WI	Wisconsin	223.90

WY	Wyoming	307.18
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ATTACHMENT 2: Phased-Down State Contribution to Part D Annual Rates Update for Calendar Year 2027

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 6th, 2026, the API for 2027 is 13.65%.³

The 2027 API includes an adjustment for revisions to the 2024 through 2025 percentage increases, based on subsequent data and projections, as described in the April 6, 2026 announcement. Since the MMA requires use of the latest NHE estimates for 2003 through 2006, the 2027 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 2027 rates. There are no changes in the January 2026 NHE estimates, and the cumulative growth rate remained at 23.44% for this period.⁴ As a result, the 2027 PDSC rates include no adjustment to account for the revised NHE per capita trends.

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 2027, and the net PDSC payment rate will increase by 13.65%. The table below summarizes these calculations.

2027 Phased-down State Contribution Payment Rate Increase

Annual Percentage Increase for 2027	13.65%
Adjustment for updated 2003-2006 growth	0.00%
2027 PDSC payment rate increase	13.65%

Office of the Actuary
August 18, 2026

³ See table V-1 of “Announcement of Calendar Year 2027 Medicare Advantages Capitation Rates and Part C and Part D Payment Policies,” April 6, 2026 <https://www.cms.gov/files/document/2027-announcement.pdf>. Details of the API calculation are contained in Attachment V.

⁴ The current per capita estimates are \$621 for 2003 and \$766 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.