
**RE: Corrected Calendar Year (CY) 2020 Jan -
Sep Phased-down State Contribution Final Per-
Capita Rates**

November 6, 2019

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 eligibles.

On October 10, 2019, we issued a letter¹ to notify you of the phased-down State contribution full dual-eligible per capita Medicaid drug payment amount for January – September 2020, as required by the MMA. Unfortunately, there was an error in the calculation of those payment amounts. This letter provides the correct amounts.

The January – September 2020 phased-down State contribution per capita rates are shown in Attachment 1. The per capita drug expenditure amount for January – September 2020 is based on the value for October – December 2019 with the following adjustments:

1. The value is adjusted by the annual percentage increase (API) in per capita Part D expenditures for the 2020 contract year (5.21 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 5.21 percent. The previous letter incorrectly used the growth rate of 2.59 percent.
2. There is no change in the discount factor for 2020, 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 CY2020 is 5.21 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

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.

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

- Keith.Johnson@cms.hhs.gov and Fanta.Bowman@cms.hhs.gov
- MEPBSEDBSSStaff@cms.hhs.gov

For inquiries regarding the Part D per capita rate calculations:

- Christopher.Truffer@cms.hhs.gov
- Eric.Eckstein1@cms.hhs.gov

Sincerely,

A handwritten signature in black ink, appearing to read "Julie Boughn", with a long horizontal flourish extending to the right.

Julie Boughn
Director, Data and Systems Group

ATTACHMENT 1: Corrected Phased-down State Contribution Rates January-September 2020

<u>STATE</u>	<u>STATE NAME</u>	<u>Jan-Sep 2020</u>
AK	Alaska	198.17
AL	Alabama	76.62
AR	Arkansas	71.55
AZ	Arizona	61.00
CA	California	133.94
CO	Colorado	172.58
CT	Connecticut	212.32
DC	District of Columbia	76.15
DE	Delaware	143.43
FL	Florida	142.75
GA	Georgia	100.40
HI	Hawaii	114.91
IA	Iowa	142.13
ID	Idaho	113.30
IL	Illinois	173.00
IN	Indiana	122.22
KS	Kansas	147.79
KY	Kentucky	96.83
LA	Louisiana	112.60
MA	Massachusetts	142.17
MD	Maryland	181.37
ME	Maine	109.50
MI	Michigan	92.43
MN	Minnesota	175.06
MO	Missouri	147.13
MS	Mississippi	61.38
MT	Montana	122.44
NC	North Carolina	117.36
ND	North Dakota	151.96
NE	Nebraska	164.27
NH	New Hampshire	201.63
NJ	New Jersey	216.93
NM	New Mexico	64.21
NV	Nevada	118.51
NY	New York	159.95
OH	Ohio	159.55
OK	Oklahoma	89.48
OR	Oregon	137.35
PA	Pennsylvania	178.69
RI	Rhode Island	162.31
SC	South Carolina	71.74
SD	South Dakota	149.91
TN	Tennessee	137.95
TX	Texas	105.91
UT	Utah	128.57
VA	Virginia	182.67
VT	Vermont	152.85
WA	Washington	172.92
WI	Wisconsin	145.86
WV	West Virginia	80.58
WY	Wyoming	190.91

ATTACHMENT 2: Corrected Phased-Down State Contribution to Part D Annual Rate Update for 2020

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, 2019, the API for 2020 is 5.21%.²

Previously, we used an incorrect value for the API for 2020 of 2.59%. This memorandum provides the rates using the correct value for the API.

The 2020 API includes an adjustment for revisions to the 2008 through 2019 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 2020 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 2019 rates. The 2019 rates were based on historical NHE estimates from January 2018 and reflected a cumulative per capita prescription drug expenditure growth rate of 23.48% from 2003 to 2006. The current, January 2018, NHE estimates also show the same cumulative growth rate of 23.48% for this period.³ As a result, the 2020 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 2020, and the net PDSC payment rate will increase by 5.21%. The table below summarizes these calculations.

2020 Phased-down State Contribution Payment Rate Increase

Annual Percentage Increase for 2019	5.21%
Adjustment for updated 2003-2006 growth	0.00%
2018 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.

Office of the Actuary
November 4, 2019

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

³ 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.