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**RE: Calendar Year (CY) 2018 Jan - Sep  
Phased down State Contribution Final Per-Capita Rates**

Date: September 26, 2017

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.

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 2018, as required by the MMA.

Jan - Sep 2018 phased-down State contribution per capita rates are shown in Attachment 1. The per capita drug expenditure amount for Jan - Sep 2018 is based on the value for Oct - Dec 2017 with the following adjustments:

1. The value is adjusted by the annual percentage increase (API) in per capita Part D expenditures for the 2018 contract year (1.22 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 1.22 percent.
2. There is no change in the discount factor for 2018, 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 CY2018 is 1.22 percent. Details are described in Attachment 2, provided by the CMS Office of the Actuary.

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

For inquiries regarding Dual Eligibles, please contact: [Sharon.Donovan1@cms.hhs.gov](mailto:Sharon.Donovan1@cms.hhs.gov)  
For inquiries regarding SPD Billing Procedures and System-related inquiries, please contact:  
[Keith.Johnson@cms.hhs.gov](mailto:Keith.Johnson@cms.hhs.gov), [Fanta.Bowman@cms.hhs.gov](mailto:Fanta.Bowman@cms.hhs.gov), [Phyllis.Martin@cms.hhs.gov](mailto:Phyllis.Martin@cms.hhs.gov) and  
[DMEPSEDBSSStaff@cms.hhs.gov](mailto:DMEPSEDBSSStaff@cms.hhs.gov).

Sincerely,

/s/

Gregory McGuigan  
Acting Director, Data and Systems Group

**ATTACHMENT 1: Phased-down State Contribution Rates January-September 2018**

<b><u>STATE</u></b>	<b><u>STATE NAME</u></b>	<b><u>Jan-Sep 2018</u></b>
AL	Alabama	72.79
AK	Alaska	184.77
AZ	Arizona	57.13
AR	Arkansas	68.00
CA	California	124.89
CO	Colorado	160.92
CT	Connecticut	197.97
DE	Delaware	138.27
	District of	
DC	Columbia	71.00
FL	Florida	131.99
GA	Georgia	90.18
HI	Hawaii	104.12
ID	Idaho	102.69
IL	Illinois	159.36
IN	Indiana	114.79
IA	Iowa	141.81
KS	Kansas	152.72
KY	Kentucky	92.36
LA	Louisiana	115.03
ME	Maine	100.58
MD	Maryland	169.11
MA	Massachusetts	132.56
MI	Michigan	84.45
MN	Minnesota	163.22
MS	Mississippi	60.54
MO	Missouri	141.34
MT	Montana	112.22
NE	Nebraska	160.51
NV	Nevada	104.92
NH	New Hampshire	188.00
NJ	New Jersey	202.27
NM	New Mexico	61.08
NY	New York	149.14
NC	North Carolina	107.50
ND	North Dakota	141.83
OH	Ohio	149.73
OK	Oklahoma	101.73
OR	Oregon	120.17
PA	Pennsylvania	168.11
RI	Rhode Island	156.16
SC	South Carolina	64.88
SD	South Dakota	147.29
TN	Tennessee	126.37
TX	Texas	108.87
UT	Utah	112.08
VT	Vermont	143.72
VA	Virginia	170.32

**ATTACHMENT 1: Phased-down State Contribution Rates January-September 2018**

<u>STATE</u>	<u>STATE NAME</u>	<u>Jan-Sep 2018</u>
WA	Washington	161.23
WV	West Virginia	80.23
WI	Wisconsin	137.98
WY	Wyoming	178.01

**ATTACHMENT 2: Phased-Down State Contribution to Part D Annual Rate Update for 2018**

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 3, 2017, the API for 2018 is 1.22%.<sup>2</sup>

The 2018 API includes an adjustment for revisions to the 2007 through 2017 percentage increases, based on subsequent data and projections, as described in the April 3 announcement. Since the MMA requires use of the latest NHE estimates for 2003 through 2006, the 2018 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 2017 rates. The 2017 rates were based on historical NHE estimates from January 2016 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 a cumulative growth rate of 23.48% for the same period.<sup>3</sup> As a result, the 2018 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 2018, and the net PDSC payment rate will increase by 1.22%. The table below summarizes these calculations.

**2018 Phased-down State Contribution Payment Rate Increase**

<b>Contribution Payment Description</b>	<b>Rate</b>
Annual Percentage Increase for 2018	1.22%
Adjustment for updated 2003-2006 growth	0.00%
2017 PDSC payment rate increase	1.22%

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.

<sup>2</sup> See page 48 of <http://www.cms.gov/MedicareAdvtgSpecRateStats/Downloads/Announcement2018.pdf>. Details of the API calculation are contained in Attachment VI.

<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.

For inquiries regarding the Part D per capita rate calculations, contact [Christian.Wolfe@cms.hhs.gov](mailto:Christian.Wolfe@cms.hhs.gov).

Office of the Actuary  
September 12, 2017