

Centers for Medicare & Medicaid Services, HHS

§ 423.910

(3) For each subsequent year, the amount for the prior fiscal year increased by the annual percentage increase described in § 423.104(d)(5)(iv).

§ 423.908 Phased-down State contribution to drug benefit costs assumed by Medicare.

This subpart sets forth the requirements for State contributions for Part D drug benefits based on full-benefit dual eligible individual drug expenditures.

§ 423.910 Requirements.

(a) *General rule.* Each of the 50 States and the District of Columbia is re-

quired to provide for payment to CMS a phased-down contribution to defray a portion of the Medicare drug expenditures for individuals whose projected Medicaid drug coverage is assumed by Medicare Part D.

(b) *State contribution payment—*

(1) *Calculation of payment.* The State contribution payment is calculated by CMS on a monthly basis, as indicated in the following chart. For States that do not meet state enrollment reporting requirement described in paragraph (d) of this section, the State contribution payment is calculated using a methodology determined by CMS.

ILLUSTRATIVE CALCULATION OF STATE PHASED-DOWN MONTHLY CONTRIBUTION FOR 2006

	Item	Illustrative Value	Source
(i)	Gross per capita Medicaid expenditures for prescription drugs for 2003 for full-benefit dual eligibles not receiving drug coverage through a comprehensive Medicaid managed care plan, excluding drugs not covered by Part D.	\$2,000	CY MSIS data
(ii)	Aggregate State rebate receipts in calendar year 2003	\$100,000,000	CMS-64
(iii)	Gross State Medicaid expenditures for prescription drugs in calendar year 2003.	\$500,000,000	CMS-64
(iv) ...	Rebate adjustment factor	0.2000	(2) ÷ (3)
(v)	Adjusted 2003 gross per capita Medicaid expenditures for prescription drugs for full-benefit dual eligibles not in comprehensive managed care plans.	\$1,600	(1) × [1 - (4)]
(vi) ...	Estimated actuarial value of prescription drug benefits under comprehensive capitated managed care plans for full-benefit dual eligibles for 2003.	\$1,500	To be Determined
(vii) ...	Average number of full-benefit dual eligibles in 2003 who did not receive covered outpatient drugs through comprehensive Medicaid managed care plans.	90,000	CY MSIS data
(viii) ..	Average number of full-benefit dual eligibles in 2003 who received covered outpatient drugs through comprehensive Medicaid managed care plans.	10,000	CY MSIS data
(ix) ...	Base year State Medicaid per capita expenditures for covered Part D drugs for full-benefit dual eligible individuals (weighted average of (5) and (6)).	\$1,590	[(7) × (5) + (8) × (6)] ÷ [(7) + (8)]
(x)	100 minus Federal Medical Assistance Percentage (FMAP) applicable to month of State contribution (as a proportion).	0.4000	FEDERAL REGISTER
(xi) ...	Applicable growth factor (cumulative increase from 2003 through 2006).	50.0%	NHE projections
(xii) ...	Number of full-benefit dual eligibles for the month	120,000	State submitted data
(xiii) ..	Phased-down State reduction factor for the month	0.9000	specified in statute
(xiv) ..	Phased-down State contribution for the month	\$8,586,000	1 / 12 × (9) × (10) × [1 + (11)] × (12) × (13)

(2) *Method of payment.* Payments for the phased down State contribution begins in January 2006, and are made on a monthly basis for each subsequent month. State payment must be made in a manner specified by CMS that is similar to the manner in which State payments are made under the State Buy-in Program except that all payments must be deposited into the Medicare Prescription Drug Account in the

Federal Supplementary Medical Insurance Trust Fund. The policy on collection of the Phased-down State contribution payment is the same as the policy that governs collection of Part A and Part B Medicare premiums for State Buy-in.

(c) *State Medicaid Statistical Information System (MSIS) Reporting.* Effective with calendar year (CY) 2003 and all subsequent MSIS data submittals,