

recent National Total Drug National Health Expenditure projections for the years involved). The growth factor for 2007 and succeeding years will equal the annual percentage increase in average per capita aggregate expenditures for covered Part D drugs in the United States for Part D eligible individuals for the 12-month period ending in July of the previous year, as described in § 423.104(d)(5)(iv). CMS provides further detail regarding the sources of data to be used and how the annual percentage increase will be determined via operational guidance to States.

*Base year Medicaid per capita expenditures* are equal to the weighted average of:

(1) The gross base year (calendar year 2003) per capita Medicaid expenditures for prescription drugs, reduced by the rebate adjustment factor; and

(2) The estimated actuarial value of prescription drug benefits provided under a comprehensive capitated Medicaid managed care plan per full-benefit dual eligible for 2003. The per capita payments for full-benefit dual eligibles with comprehensive managed care and non-managed care are weighted by the respective average monthly full dual eligible enrollment populations reported through the Medicaid Statistical Information System (MSIS).

*Full-benefit dual eligible individual* means an individual who, for any month-

(1) Has coverage for the month under a prescription drug plan under Part D of title XVIII, or under an MA-PD plan under Part C of title XVIII; and

(2) Is determined eligible by the State for medical assistance for full benefits under title XIX for the month under any eligibility category covered under the State plan or comprehensive benefits under a demonstration under section 1115 of the Act. (This does not include individuals under Pharmacy Plus demonstrations or under a section 1115 of the Act demonstration that provides pharmacy only benefits to these individuals.) It also includes any individual who is determined by the State to be eligible for medical assistance under section 1902(a)(10)(C) of the Act (medically needy) or section 1902(f) of the Act (States that use more restrictive eligibility criteria than are used

by the SSI program) of the Act for any month if the individual was eligible for medical assistance in any part of the month. For the 2003 baseline calculations, the full-benefit dual eligibles are those individuals reported in MSIS as having Medicaid drug benefit coverage and Medicare Part A or Part B coverage. Dual eligibility status will be established by CMS using an algorithm that incorporates the quarterly MSIS dual eligibility code for the prescription fill date and the dual eligibility code for the prior quarter.

*Gross base year Medicaid per capita expenditures* are equal to the expenditures, including dispensing fees, made by the State and reported in MSIS during calendar year 2003 for covered outpatient drugs, excluding drugs or classes of drugs, or their medical uses, which may be excluded from coverage or otherwise restricted under section 1860D-2 of the Act, other than smoking cessation agents determined per full-benefit dual eligible individual for the individuals not receiving medical assistance for the drugs through a comprehensive Medicaid managed care plan. This amount is determined based on MSIS drug claims paid during the four quarters of calendar year 2003 and the corresponding dual eligibility enrollment status of the beneficiary. MSIS drug claims having National Drug Codes determined by CMS to be in the Part D excluded drug class, and claims having a program type code indicating Indian Health Service or Family Planning will be excluded from the calculation.

*Noncovered drugs* are those drugs specifically excluded from the definition of Part D drug, which may be excluded from coverage or otherwise restricted under Medicaid under sections 1927(d)(2) or (d)(3) of the Act, except for smoking cessation agents.

*Phased-down State contribution factor* for a month in 2006 is 90 percent; in 2007 is 88⅓ percent; in 2008 is 86⅔ percent; in 2009 is 85 percent; in 2010 is 83⅓ percent; in 2011 is 81⅔ percent; in 2012 is 80 percent; in 2013 is 78⅓ percent; in 2014 is 76⅔ percent; or after December 2014, is 75 percent.

*Phased-down State contribution payment* refers to the States' monthly payment made to the Federal government