

CALCULATION OF STATE PHASED-DOWN MONTHLY CONTRIBUTION			
Uses federal methodology as close as possible			
	Item	Colorado Value	Colorado Source
1	(i) Gross per capita Medicaid expenditures for prescription drugs for 2003 for full benefit dual eligibles not receiving drug coverage through a Medicaid managed care plan, excluding drugs not covered by Part D.	\$3,031.25	Per Centers of Medicare and Medicaid Services letter received October 14, 2005; Colorado's calendar year 2003 per capita drug expenditures for full-benefit, fee-for-service dual eligibles was \$3,031.25 (\$127,380,741 in expenditures / 504,270 dual eligible clients).
2	(ii) Aggregate State rebate receipts in calendar year 2003	34,131,984	Per 11-29-04 actual CMS 64. This value is considerably lower than a typical 12 month period. In an average fiscal year, drug rebates typically account for roughly 20% of total drug costs. For this 12-month period, they only account for 14.4%.
3	(iii) Gross State Medicaid expenditures for prescription drugs in calendar year 2003	236,549,670	Per 11-29-04 actual CMS 64. While the 3rd quarter of CY 03 was 20% lower than the average amount reported in the other three quarters, the average rebate in quarter 3 was 96% smaller than the average rebate for other quarters.
4	(iv) Rebate adjustment factor	0.1443	Calculation: (2) ÷ (3)
5	(v) Adjusted 2003 gross per capita Medicaid expenditures for prescription drugs for full-benefit dual eligibles not in managed care plans	\$2,593.85	Calculation: (1) * [1-(4)]
6	(vi) Estimated actuarial value of prescription drug benefits under capitated managed care plans for full-benefit dual eligibles for 2003	\$1,852.04	Estimated CY 03 pharmacy payments for Part D covered drugs for MCO clients. Does NOT include pharmacy payments for Rocky Mountain ASO claims, which are considered fee-for-service in this analysis.
7	(vii) Average number of full-benefit dual eligibles in 2003 who did not receive covered outpatient drugs through Medicaid managed care plans	42,023	Provided in a letter to the Department by the Centers for Medicare and Medicaid Services on October 14, 2005 (504,270 member months divided by 12).
8	(viii) Average number of full-benefit dual eligibles in 2003 who received covered outpatient drugs through Medicaid managed care plans	6,234	Provided in a letter to the Department by the Centers for Medicare and Medicaid Services on October 14, 2005 (74,806 member months divided by 12).
9	(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))	\$2,498.02	Calculation: [(7) * (5) + (8) * (6)] ÷ [(7) + (8)]
10	(x) 100 minus Federal Medical Assistance Percentage (FMAP) applicable to month of state contribution (as a proportion)	0.5	Colorado's FMAP percentage is 50%
11	(xi) Applicable growth factor (cumulative increase from 2003 through 2006)	35.54%	This is the National Health Expenditure inflator described in federal law. NHE in 2003 = \$605; NHE in 2006 = \$820, Growth = 820 / 605 - 1 = 35.54% (Prescription Drugs only)
12	(xii) Number of full-benefit dual eligibles for the month	45,623	BOA query (run 10/22/2005) for any client with a TPL code of 01 - 06 or 21 - 26 with at least one day of eligibility in September 2005, plus 2,800 additional clients assumed to immediately be reported as full-benefit dual eligibles due to the interface with the Social Security Administration's BENDEX system being restored
13	(xiii) Phased-down State reduction factor for the month	0.9	90% as specified in federal statute
14	(xiv) Phased-down State contribution for the month	\$5,792,546	Calculation: 1/12 * (9) * (10) * [1+(11)] * (12) * (13)
15	FY 05-06 Estimated Clawback Payment	\$34,755,276	Assume 50% for FY 05-06 due to first payment in January 2006.
16	Growth factor (Increase from CY 2006 to 2007)	9.76%	Inflate the FY 05-06 by NHE again for FY 06-07. NHE in 2006 = \$820; NHE in 2007 = \$900, Growth = 900 / 820 - 1 = 9.76% (Prescription Drugs only)
17	Phased-down State contribution for the month (calendar year 2006)	\$6,357,899	Calculation: (14) * [1+(16)]
18	Phase-down State reduction factor for the second twelve months	88.33%	In 2007, the Phased-down State reduction factor is reduced to 88 1/3%, so this percent was used for the second half of the fiscal year.
19	Phased-down State contribution for the month (calendar year 2007)	\$6,240,157	Calculation: (17) / (13) * (18)
20	Total FY 06-07 Estimated Clawback Payment	\$75,588,335	Calculation: (17) * 6 months + (19) * 6 months
21	Growth factor (Increase from CY 2007 to 2008)	9.76%	Inflate the FY 05-06 by NHE again for FY 06-07. NHE in 2006 = \$820; NHE in 2007 = \$900, Growth = 900 / 820 - 1 = 9.76% (Prescription Drugs only)
22	Phased-down State contribution for the month (calendar year 2007)	\$6,849,197	Calculation: (19) * [1+(21)]
23	Phase-down State reduction factor for the second twelve months	86.66%	In 2008, the Phased-down State reduction factor is reduced to 86 2/3%, so this percent was used for the second half of the fiscal year.
24	Phased-down State contribution for the month (calendar year 2008)	\$6,719,452	Calculation: (22) / (18) * (23)
25	Total FY 07-08 Estimated Clawback Payment	\$81,411,893	Calculation: (22) * 6 months + (24) * 6 months

Clawback Payment

This is a rough preliminary estimate of the clawback calculation for Colorado, using the federal methodology. However, the Department does not have several pieces of the data yet and has tried to use similar information from other sources to approximate the calculation that will be done by the federal government. This is used to calculate the clawback payment only. It has been updated since the Department's Hearing, and is now based on specific fiscal years. The previous estimates were assuming a full first year.

Estimated Actual Savings in the Medical Services Premiums for January - June 2006, FY 06-07 and FY 07-08

	Item	FY 06-07 Request	FY 07-08 Estimate	Colorado Source
1	Estimated Part D Drug Expenditures	\$126,790,399	\$133,374,048	Actual expenditures from January 2003 through December 2004, trended forward using a linear trend model to estimate drug expenditures for January 1, 2006 forward. A specific drug-rebate percentage of 25.4328% is applied to get post-rebate projected drug costs. Includes Rocky ASO estimated expenditures, after rebate, adjusted for COFRS reconciliation.
2	Average Fee-for-Service Monthly Part D Eligibles	39,729	39,729	Total dual eligibles were estimated from a BOA query (run 10/22/2005) for any client with a TPL code of 01 - 06 or 21 - 26 with at least one day of eligibility in September 2005, plus 2,800 additional clients assumed to immediately be reported as full-benefit dual eligibles due to the interface with the Social Security Administration's BENDEX system being restored. Fee-for-Service dual eligibles were assumed to be 87.1% of all dual eligibles (the CY 2003 actual experience percentage from MSIS data).
3	Per Capita Expenditures for Fee-for-Service	\$3,191.38	\$3,357.10	[(1) ÷ (2)]
4	Adjustment for MCO Per Capita Expenditures	95%	95%	The managed care per capita cost as a percent of fee-for-service per capita costs changes from CY 2003 (used for federal Clawback analysis) to FY 06-07 due to rebasing which will correct the following things: a) \$12 million was missing in
5	MCO Per Capita Expenditures	\$3,031.81	\$3,189.24	
6	Average MCO Monthly Part D Eligibles	5,894	5,894	Total dual eligibles were estimated from a BOA query (run 10/22/2005) for any client with a TPL code of 01 - 06 or 21 - 26 with at least one day of eligibility in September 2005, plus 2,800 additional clients assumed to immediately be reported as full-benefit dual eligibles due to the interface with the Social Security Administration's BENDEX system being restored. Managed Care dual eligibles were assumed to be 12.9% of all dual eligibles (the CY 2003 actual experience percentage from MSIS data).
7	State Medicaid Per Capita Expenditures for Covered Part D drugs for Full-Benefit Dual Eligible Individuals	\$3,170.77	\$3,335.41	[(2) * (3) + (5) * (6)] ÷ [(2) + (6)] Weighted average of (5) and (3)
8	Average Number of Full-Benefit Dual Eligibles per Month	45,623	45,623	Sum of average monthly fee-for-service Part D eligibles and average monthly MCO Part D eligibles.
	Estimated Total Funds Savings in Medical Services Premiums	\$144,659,902	\$152,171,433	[(7) * (8) * .5 in FY 05-06] FY 05-06 is 6 months (Jan - Jun 2006)
	Estimated General Fund	\$72,329,951	\$76,085,717	

No inflator is needed because the pharmacy expenditures were already trended above.