

**Schedule 13
Funding Request for the 2012-13 Budget Cycle**

Department: Health Care Policy and Financing
 Request Title: Medicare Modernization Act State Contribution Payment
 Priority Number: S-4

Dept. Approval by: John Bartholomew *JBS* 12/23/11
 Date

OSPB Approval by: Erin M. Schmitt 12/27/11
 Date

Decision Item FY 2012-13
 Base Reduction Item FY 2012-13
 Supplemental FY 2011-12
 Budget Amendment FY 2012-13

Line Item Information		FY 2011-12		FY 2012-13		FY 2013-14
		1	2	3	4	5
	Fund	Appropriation FY 2011-12	Supplemental Request FY 2011-12	Base Request FY 2012-13	Funding Change Request FY 2012-13	Continuation Amount FY 2013-14
Total of All Line Items	Total	\$91,156,720	\$2,356,099	\$91,156,720	\$0	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$66,146,615	\$2,356,099	\$60,127,929	\$0	\$0
	GFE	\$0	\$0	\$0	\$0	\$0
	CF	\$0	\$0	\$0	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$25,010,105	\$0	\$31,028,791	\$0	\$0
(5) Other Medical Services; Medicaid Modernization Act of 2003 State Contribution Payment	Total	\$91,156,720	\$2,356,099	\$91,156,720	\$0	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$66,146,615	\$2,356,099	\$60,127,929	\$0	\$0
	GFE	\$0	\$0	\$0	\$0	\$0
	CF	\$0	\$0	\$0	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$25,010,105	\$0	\$31,028,791	\$0	\$0

Letternote Text Revision Required? Yes: No: If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number:

Reappropriated Funds Source, by Department and Line Item Name:

Approval by OIT? Yes: No: Not Required:

Schedule 13s from Affected Departments: N/A

Other Information:



DEPARTMENT OF HEALTH CARE POLICY & FINANCING

John W. Hickenlooper
Governor

*FY 2011-12 Supplemental Request
January 3, 2012*

Susan E. Birch
Executive Director

*Department Priority: S-4
Medicare Modernization Act of 2003 State Contribution Payment*

Summary of Incremental Funding Change for FY 2011-12	Total Funds	General Fund	FTE
MMA State Contribution Payment	\$2,356,099	\$2,356,099	0.0

Request Summary:

This request is for additional General Fund totaling \$2,356,099 for FY 2011-12 for the Medicare Modernization Act of 2003 State Contribution Payment line item. This request is the result of a projected increase in the caseload of dual-eligible individuals in conjunction with a projected increase in the per-member per-month (PMPM) rate paid by the State as required by federal regulations. The Department requested to adjust the FY 2012-13 appropriation for this line item in its November 1, 2011, FY 2012-13 R-4, and any FY 2012-13 amount presented in this request is for informational purposes only.

On January 1, 2006, the federal Centers for Medicare and Medicaid Services (CMS) assumed responsibility for the Medicare Part D prescription-drug benefit that replaced the Medicaid prescription-drug coverage for dual-eligible clients (individuals eligible for both Medicare and Medicaid). In lieu of the states' obligation to cover prescription drugs for this population, CMS began requiring states to pay a portion of what their anticipated dual-eligible drug cost would have been had this cost shift not occurred.

In January 2006, states began to pay CMS these "clawback" payments. The payments were calculated by taking 90% of the federal portion of each state's average PMPM dual-eligible drug benefit from calendar year 2003, inflated to 2006

using the average growth rate from the National Health Expenditure (NHE) per-capita drug expenditures. This inflated PMPM amount is then multiplied by the number of dual-eligible clients, including retroactive clients, back to January 2006. As each calendar year passes, the 90% factor is lowered by 1.67% each year – which is known as the phase-down percentage – until it reaches 75%, where it will remain beginning in 2015. In addition, CMS inflates each state's PMPM rates based on either NHE growth or actual growth in Part D expenditures.

With new data available, the Department has recalculated its estimate for FY 2011-12 and projects the MMA clawback payment will total \$93,512,819, which is \$2,356,099 higher than the FY 2011-12 appropriation.

On July 26, 2011, CMS released the National Health Expenditure Projections for 2010-2020, which the Department is currently analyzing to determine the impact these projections may have on the MMA State Contribution Payment line item. While the Department's analysis is ongoing, initial results indicate that MMA FY 2011-12 total expenditures could increase by as much as 3.2%.

Anticipated Outcomes:

Approval of this request would allow the Department to meet its obligation to the federal

government and ensure the Department would not have the amount of payment plus interest deducted from the federal funds received for the Medicaid program. Such a deduction could cause the Department to be under-funded to provide services and would necessitate a General Fund appropriation or program cuts to make up the difference, as Medicaid is an entitlement program in which the Department cannot cap enrollment.

Assumptions for Calculations:

The Department assumes the changes in the PMPM rate paid by the Department will be based on the growth in the 2009 NHE prescription-drug per-capita estimates between years 2012 and 2013 and offset by the corresponding phase-down percent. The Department further assumes the changes in dual-eligible caseload will follow a trend of 3.75% annual growth, as has been evidenced historically.

Tables detailing these calculations are attached in Appendix A of the Department's November 1, 2011, FY 2012-13 R-4 funding request.

Supplemental, 1331 Supplemental, or Budget Amendment Criteria:

New data has resulted in a substantive change in funding need.

Current Statutory Authority or Needed Statutory Change:

42 C.F.R. §423.910 (a) (2011) General rule: *Each of the 50 States and the District of Columbia is required 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.*

25.5-5-503, C.R.S. (2011) (1) *The state department is authorized to ensure the participation of Colorado medical assistance recipients, who are also eligible for medicare, in any federal prescription drug benefit enacted for medicare recipients.* (2) *Prescribed drugs shall not be a covered benefit under the medical*

assistance program for a recipient who is eligible for a prescription drug benefit program under medicare; except that, if a prescribed drug is not a covered Part D drug as defined in the "Medicare Prescription Drug, Improvement, and Modernization Act of 2003", Pub.L. 108-173, the prescribed drug may be a covered benefit if it is otherwise covered under the medical assistance program and federal financial participation is available.