

**Schedule 13**

**Funding Request for the FY 2017-18 Budget Cycle**

**Department of Health Care Policy and Financing**

**Request Title**

**R-04 Medicare Modernization Act**

Dept. Approval By:

Josh Block *[Signature]* 11/1/16

Supplemental FY 2016-17

Change Request FY 2017-18

OSPB Approval By:

*[Signature]* 10/29/16

Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17		FY 2017-18		FY 2018-19
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
<b>Total</b>		\$130,667,733	\$0	\$130,667,733	\$19,674,000	\$33,239,453
<b>FTE</b>		0.0	0.0	0.0	0.0	0.0
<b>Total of All Line Items Impacted by Change Request</b>	<b>GF</b>	\$130,667,733	\$0	\$130,667,733	\$19,674,000	\$33,239,453
	<b>CF</b>	\$0	\$0	\$0	\$0	\$0
	<b>RF</b>	\$0	\$0	\$0	\$0	\$0
	<b>FF</b>	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2016-17		FY 2017-18		FY 2018-19
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
<b>Total</b>		\$130,667,733	\$0	\$130,667,733	\$19,674,000	\$33,239,453
<b>FTE</b>		0.0	0.0	0.0	0.0	0.0
<b>06. Other Medical Services - Medicare Modernization Act State Contribution Payment</b>	<b>GF</b>	\$130,667,733	\$0	\$130,667,733	\$19,674,000	\$33,239,453
	<b>CF</b>	\$0	\$0	\$0	\$0	\$0
	<b>RF</b>	\$0	\$0	\$0	\$0	\$0
	<b>FF</b>	\$0	\$0	\$0	\$0	\$0

CF Letternote Text Revision Required?	Yes	No	<input checked="" type="checkbox"/>	<b>If Yes, see attached fund source detail.</b>
RF Letternote Text Revision Required?	Yes	No	<input checked="" type="checkbox"/>	
FF Letternote Text Revision Required?	Yes	No	<input checked="" type="checkbox"/>	
Requires Legislation?	Yes	No	<input checked="" type="checkbox"/>	
Type of Request?	Department of Health Care Policy and Financing Prioritized Request			
Interagency Approval or Related Schedule 13s:	None			



#### ***Cost and FTE***

- The Department requests \$1,369,323 General Fund for FY 2016-17; \$19,674,000 General Fund for FY 2017-18; and \$33,239,453 General Fund for FY 2018-19 to the Medicare Modernization Act State Contribution Payment line item to cover the State's share of the costs of the Medicare Part D outpatient prescription drug benefit for dual-eligible clients. This request does not require any additional FTE.

#### ***Current Program***

- The Department serves clients who are eligible for both Medicaid and Medicare.
- Dual-eligible clients are provided prescription drug coverage through the federal Medicare program.
- The State is required to reimburse the federal government for the amount the federal Centers for Medicare and Medicaid Services (CMS) determines is the State's obligation for such prescription drug coverage, which is also called the "clawback" payment.

#### ***Problem or Opportunity***

- The State's obligation varies from year to year and is affected by changes in caseload and the per member per month (PMPM) rate, which is also determined by CMS.
- The Department must annually forecast both anticipated caseload and PMPM rate to ensure the State is adequately funded to meet its reimbursement obligation to the federal government.

#### ***Consequences of the Problem***

- If this request is not approved and the State is unable to meet its reimbursement obligation to the federal government, the Department would be at risk of having the amount due for the clawback payment – plus interest – deducted from the federal funds received for the Medicaid program, generating overexpenditures on other line items.

#### ***Proposed Solution***

- The Department requests adjustment to the appropriation in the Medicare Modernization Act State Contribution Payment line item to meet the State's obligation to the federal government for prescription drug coverage for dual-eligible clients while reducing the risk of reverting funds that could be used for other purposes.



# COLORADO

Department of Health Care  
Policy & Financing

FY 2017-18 Funding Request | November 1, 2016

John W. Hickenlooper  
Governor

Susan E. Birch  
Executive Director

**Department Priority:** R-4

**Request Detail:** Medicare Modernization Act State Contribution Payment

Summary of Incremental Funding Change for FY 2016-17	Total Funds	General Fund
Medicare Modernization Act State Contribution Payment	\$1,369,323	\$1,369,323

Summary of Incremental Funding Change for FY 2017-18	Total Funds	General Fund
Medicare Modernization Act State Contribution Payment	\$19,674,000	\$19,674,000

**Problem or Opportunity:**

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, who are individuals eligible for both Medicare and Medicaid. States are required to make mandatory state payments to the federal government, known as the “clawback” payment, to help finance the Medicaid Part D benefit for the dual-eligible population for the states’ share of the costs of outpatient prescription drugs. The amount of each state’s clawback payment roughly reflects the expenditures of its own funds that the state would make if it continued to pay for outpatient prescription drugs through Medicaid on behalf of dual-eligible clients. These clawback payments, if left unpaid, are subject to automatic deduction – plus interest – from the federal funds the State receives for the Medicaid program. Current projections indicate that incremental funding increases to the appropriation for FY 2016-17, and FY 2018-19 are needed.

**Proposed Solution:**

The Department requests \$1,369,323 General Fund for FY 2016-17; \$19,674,000 General Fund for FY 2017-18; and \$33,239,453 General Fund for FY 2018-19 for funding adjustment to the Medicare Modernization Act State Contribution Payment line item to cover the State’s share of the costs of the Medicare Part D outpatient prescription drug benefit for dual-eligible clients. The Medicare Modernization Act State Contribution Payment line item is entirely General Fund, as it is a state reimbursement to the federal government and is not eligible to receive a federal match.

If the Department does not receive the requested appropriations and subsequently cannot make the required federal payment within the Department’s existing spending authority, the Department would be required to

use overexpenditure authority to make the payment, pursuant to section 24-75-109(1)(a.6), C.R.S. or risk of having the amount due for the clawback payment – plus interest – deducted from the federal funds received for the Medicaid program, generating overexpenditures on other line items.

***Anticipated Outcomes:***

One of the Department’s strategies in its FY 2016-17 Performance Plan is to “promote rigorous compliance with federal and state laws and regulations, fiscal rules, and internal operating procedures.” The approval of this request would be a direct implementation of this goal by allowing the Department to meet its obligation to the federal government, ensuring that no amount of federal funds owed to the State for Medicaid would be subject to deduction plus interest.

***Assumptions and Calculations:***

Detailed calculations for the request are included in the attached appendix.

A summary of the funding request for the Medicare Modernization Act State Contribution Payment line item by fund type is provided for FY 2016-17, FY 2017-18, and FY 2018-19 in tables 1.1, 1.2, and 1.3, respectively. Row C in each of these tables provides the amount of incremental change requested.

The State’s clawback payment is calculated according to the following three factors:

- The projected number of Medicare and Medicaid dual-eligible clients enrolled in a Part D plan;
- A per member per month (PMPM) estimate of the amount the State otherwise would have spent on Medicaid prescription drugs for dual-eligible clients; and
- A “phasedown” percentage of the State’s obligation for the PMPM rate is 75% in Calendar Year (CY) 2015 forward.

The Department’s estimates of the clawback payment are \$132,037,056 for FY 2016-17; \$150,341,733 for FY 2017-18; and \$163,907,186 for FY 2018-19 based on the Department’s most recent caseload projections and projections of the per member per month (PMPM) rate paid by the State as required by federal regulations (see row Q and S in tables 3.1, 3.2, and 3.3 of the appendix).

The total caseload and expenditure estimates for FY 2016-17, FY 2017-18, and FY 2018-19 are calculated in tables 2.1, 2.2, and 2.3, respectively. The Department assumes the changes in dual-eligible caseload will follow a 3.38% growth trend determined by annualizing the monthly average growth over the past two years from July 2014 through June 2016. Retroactivity is also considered in this forecast because clients are able to be retroactively enrolled and disenrolled for up to 24 months. This method estimates caseload by increasing the total caseload incurred each month by 0.28% to forecast the total caseload for the following month. Rows A through L on tables 2.1a, 2.2a and 2.3a of the appendix show the breakdown of actual and projected caseload for a given month by the calendar year for which the caseload is attributed. Due to a two-month delay between when the Department receives an invoice from CMS and when the invoice is paid, the amount paid in the state fiscal year includes invoices received between May and April. Tables 2.1b, 2.2b, and 2.3b provide calculations of caseload and expenditures by the various PMPM rates for each calendar year resulting from changes in the Federal Medical Assistance Percentage (FMAP).

The changes in the PMPM rate are based on a prescribed methodology established by CMS. The PMPM rates are calculated by calendar year in tables 3.1, 3.2, and 3.3 of the appendix. The CY 2017 change in percentage of growth in table 3.2 row G is calculated by subtracting the average growth rate of per capita prescription drug expenditure between years 2003 and 2006 from the annual growth of National Health Expenditure (NHE) percentage of growth from 2016 NHE estimates in row F from the percentage of growth from 2015 NHE estimates in row C. The annual percentage increase (API) in average per capita aggregate Part D expenditures in row J for CY 2017 is provided in the “Announcement of Calendar Year (CY) 2017 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies”<sup>1</sup> issued by CMS on April 4, 2016. For CY 2018 and CY 2019, the Department uses the median of the last five years of the annual percentage increase in average per capita Part D expenditures from CY 2011 to CY 2015 to project the percentage change in the rate (found in row J of tables 3.2 and 3.3). The final percentage change in the PMPM rate is calculated in row K of tables 3.1-3.3. The 5.42% API for CY 2018 shown in table 3.2 row J is calculated using the median annual percentage trend and the average prior year revision of the annual percentage trend from CY 2011 to CY 2016 data. The CY 2017 API of 11.75%, shown in table 3.1 row J, is unusually high, which is attributed to the increased Medicare Part D costs associated with availability of new classifications of prescription drugs, including a new high cost drug for treatment of Hepatitis C. However, the Department does not anticipate this growth trend to continue, therefore a less aggressive projection is provided.

To calculate the CY 2017 PMPM rate before the phasedown (found in row M), the prior year’s PMPM (found in row L) is increased by the final percentage change in the PMPM rate (found in row K). The PMPM rates are also adjusted based on changes in the Federal Medicaid Assistance Percentage (FMAP) rate which occur on a federal fiscal year (October 1 through September 30 timespan) as follows:

- FFY 2015: 51.01%
- FFY 2016: 50.72%
- FFY 2017: 50.02%
- FFY 2018: 50.00%
- FFY 2019: 50.00%

To determine the State’s share of the PMPM (found in row Q), the total projected rate (found in row M) is multiplied by the State share of the FMAP (found in row N) and by the 75% phasedown percentage to estimate the PMPM rates for January through September (found in row P) and the rate for October through December is adjusted for the change in FMAP (found in row R). Table 4.1 provides actual caseload history from FY 2006-07 through FY 2015-16 and caseload projections based on current trends for FY 2016-17 through FY 2018-19. Table 4.2 provides actual and projected aggregate monthly caseload history by number of member months and average monthly caseload. Table 4.3 provides a summary of the various actual and projected PMPM rates and FMAP rates associated with each time period within each calendar year. This information is used to project costs in tables 2.2a through 2.4b. Table 4.4 shows the quarterly PMPM rate history from CY 2006 to CY 2016, and projected PMPM rates for CY 2017 to CY 2019.

---

<sup>1</sup> <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvgtgSpecRateStats/Downloads/Announcement2017.pdf>

R-4 Medicare Modernization Act State Contribution Payment  
Appendix A: Calculations and Assumptions

<b>Table 1.1</b>				
<b>FY 2016-17 Summary of Incremental Funding Request</b>				
<b>LBG (6) Other Medical Services, Medicare Modernization Act State Contribution Payment Line Item</b>				
<b>Row</b>	<b>Item</b>	<b>Total Funds</b>	<b>General Fund</b>	<b>Source</b>
A	FY 2016-17 Spending Authority	\$130,667,733	\$130,667,733	Long Bill Appropriation (SB 16-234)
B	Projected FY 2016-17 Expenditures	\$132,037,056	\$132,037,056	Table 2.1a Row O
C	<b>Incremental Change</b>	<b>\$1,369,323</b>	<b>\$1,369,323</b>	Row B - Row A

<b>Table 1.2</b>				
<b>FY 2017-18 Summary of Incremental Funding Request</b>				
<b>LBG (6) Other Medical Services, Medicare Modernization Act State Contribution Payment Line Item</b>				
<b>Row</b>	<b>Item</b>	<b>Total Funds</b>	<b>General Fund</b>	<b>Source</b>
A	FY 2017-18 Spending Authority	\$130,667,733	\$130,667,733	Long Bill Appropriation (SB 16-234)
B	Projected FY 2017-18 Expenditures	\$150,341,733	\$150,341,733	Table 2.2a Row O
C	<b>Incremental Change</b>	<b>\$19,674,000</b>	<b>\$19,674,000</b>	Row B - Row A

<b>Table 1.3</b>				
<b>FY 2018-19 Summary of Incremental Funding Request</b>				
<b>LBG (6) Other Medical Services, Medicare Modernization Act State Contribution Payment Line Item</b>				
<b>Row</b>	<b>Item</b>	<b>Total Funds</b>	<b>General Fund</b>	<b>Source</b>
A	FY 2018-19 Spending Authority	\$130,667,733	\$130,667,733	Long Bill Appropriation (SB 16-234)
B	Projected FY 2018-19 Expenditures	\$163,907,186	\$163,907,186	Table 2.3a Row O
C	<b>Incremental Change</b>	<b>\$33,239,453</b>	<b>\$33,239,453</b>	Row B - Row A

R-4 Medicare Modernization Act State Contribution Payment  
Appendix A: Calculations and Assumptions

<b>Table 2.1a</b>						
<b>FY 2016-17 Projected Caseload and Expenditures</b>						
<b>Row</b>	<b>Month</b>	<b>CY 2014</b>	<b>CY 2015</b>	<b>CY 2016</b>	<b>CY 2017</b>	<b>FY 2016-17 TOTAL</b>
A	May 2016	(118)	967	73,612	0	74,461
B	June 2016	44	195	73,062	0	73,301
C	July 2016	(1,155)	2	75,897	0	74,744
D	August 2016	(43)	(150)	74,649	0	74,456
E	September 2016	(33)	(183)	74,876	0	74,660
F	October 2016	(20)	(199)	75,095	0	74,876
G	November 2016	(8)	(212)	75,299	0	75,079
H	December 2016	0	(203)	75,493	0	75,290
I	January 2017	0	(191)	3,192	72,503	75,504
J	February 2017	0	(164)	1,686	74,189	75,711
K	March 2017	0	(135)	875	75,187	75,927
L	April 2017	0	(117)	455	75,802	76,140
M	<b>CY Client Total</b>	<b>(1,333)</b>	<b>(390)</b>	<b>604,191</b>	<b>297,681</b>	<b>900,149</b>
N	<b>CY PMPM Rate <sup>(1)</sup></b>	<b>Varies <sup>(2)</sup></b>	<b>Varies <sup>(2)</sup></b>	<b>Varies <sup>(2)</sup></b>	<b>Varies <sup>(2)</sup></b>	<b>N/A</b>
O	<b>Expenditures <sup>(3)</sup></b>	<b>(\$165,086)</b>	<b>(\$48,181)</b>	<b>\$85,023,232</b>	<b>\$47,227,091</b>	<b>\$132,037,056</b>

(1) PMPM rates for Row N are shown in Table 2.1b  
(2) PMPM rates changes occurred for calendar years 2014, 2015, 2016 and 2017 due to FMAP changes shown in Table 4.4  
(3) Expenditures are calculated by multiplying caseload by the respective PMPM rates shown in Table 2.1b

<b>Table 2.1b</b>					
<b>Caseload Breakdown for FY 2016-17 with CY 2014, CY 2015, CY 2016, and CY 2017 Rates</b>					
<b>Row</b>	<b>Rate Period</b>	<b>Caseload Forecast</b>	<b>PMPM Rates</b>	<b>Total</b>	<b>Source</b>
A	Jan - Sept 2014	(462)	\$125.50	(\$57,981)	Caseload Forecast * Actual Rate
B	Oct - Dec 2014	(871)	\$122.97	(\$107,105)	Caseload Forecast * Actual Rate
C	<b>CY 2014 Total</b>	<b>(1,333)</b>		<b>(\$165,086)</b>	Row A + Row B
D	Jan - Sept 2015	(991)	\$124.68	(\$123,558)	Caseload Forecast * Actual Rate
E	Oct - Dec 2015	601	\$125.42	\$75,377	Caseload Forecast * Actual Rate
F	<b>CY 2015 Total</b>	<b>(390)</b>		<b>(\$48,181)</b>	Row D + Row E
G	Jan - Sept 2016	378,776	\$139.98	\$53,021,064	Caseload Forecast * Actual Rate
H	Oct - Dec 2016	225,415	\$141.97	\$32,002,168	Caseload Forecast * Actual Rate
I	<b>CY 2016 Total</b>	<b>604,191</b>		<b>\$85,023,232</b>	Row G + Row H
J	Jan - April 2017	297,681	\$158.65	\$47,227,091	Caseload Forecast * Table 3.1 row Q
K	<b>CY 2017 Total</b>	<b>297,681</b>		<b>\$47,227,091</b>	Row J

R-4 Medicare Modernization Act State Contribution Payment  
Appendix A: Calculations and Assumptions

<b>Table 2.2a</b>						
<b>FY 2017-18 Projected Caseload and Expenditures</b>						
Row	Month	CY 2015	CY 2016	CY 2017	CY 2018	FY 2017-18 TOTAL
A	May 2017	(93)	192	76,252	0	76,351
B	June 2017	(70)	(4)	76,640	0	76,566
C	July 2017	(53)	(96)	76,930	0	76,781
D	August 2017	(42)	(152)	77,190	0	76,996
E	September 2017	(33)	(187)	77,430	0	77,210
F	October 2017	(21)	(204)	77,652	0	77,427
G	November 2017	(8)	(213)	77,869	0	77,648
H	December 2017	0	(208)	78,071	0	77,863
I	January 2018	0	(194)	3,298	74,977	78,081
J	February 2018	0	(169)	1,746	76,720	78,297
K	March 2018	0	(139)	905	77,754	78,520
L	April 2018	0	(120)	469	78,387	78,736
M	CY Client Total	(320)	(1,494)	624,452	307,838	930,476
N	CY PMPM Rate <sup>(1)</sup>	Varies <sup>(2)</sup>	Varies <sup>(2)</sup>	Varies <sup>(2)</sup>	\$167.32	
O	<b>Expenditures <sup>(3)</sup></b>	<b>(\$40,058)</b>	<b>(\$208,959)</b>	<b>\$99,083,296</b>	<b>\$51,507,454</b>	<b>\$150,341,733</b>

(1) PMPM rates in Row N are shown in Table 2.2b  
(2) PMPM rates changes occurred for calendar years 2015, 2016, and 2017 due to FMAP changes shown in Table 4.4  
(3) Expenditures are calculated by multiplying caseload by the respective PMPM rates shown in Table 2.2b

<b>Table 2.2b</b>					
<b>Caseload Breakdown for FY 2017-18 with CY 2015, CY 2016 and CY 2017 Rates</b>					
Row	Rate Period	Caseload Forecast	Rates	Total	Source
A	Jan-Sept 2015	(103)	\$124.68	(\$12,842)	Caseload Forecast * Actual Rate
B	Oct-Dec 2015	(217)	\$125.42	(\$27,216)	Caseload Forecast * Actual Rate
C	<b>CY 2015 Total</b>	<b>(320)</b>		<b>(\$40,058)</b>	Row A + Row B
D	Jan-Sept 2016	(1,580)	\$139.98	(\$221,168)	Caseload Forecast * Actual Rate
E	Oct-Dec 2016	86	\$141.97	\$12,209	Caseload Forecast * Actual Rate
F	<b>CY 2016 Total</b>	<b>(1,494)</b>		<b>(\$208,959)</b>	Row D + Row E
G	Jan-Sept 2017	391,346	\$158.65	\$62,087,043	Caseload Forecast * Table 3.1 row Q
H	Oct-Dec 2017	233,106	\$158.71	\$36,996,253	Caseload Forecast * Table 3.1 row S
I	<b>CY 2017 Total</b>	<b>624,452</b>		<b>\$99,083,296</b>	Row G + Row H

R-4 Medicare Modernization Act State Contribution Payment  
Appendix A: Calculations and Assumptions

<b>Table 2.3a</b>						
<b>FY 2018-19 Projected Caseload and Expenditures</b>						
<b>Row</b>	<b>Month</b>	<b>CY 2016</b>	<b>CY 2017</b>	<b>CY 2018</b>	<b>CY 2019</b>	<b>FY 2018-19 TOTAL</b>
A	May 2018	(95)	200	78,856	0	78,961
B	June 2018	(71)	(3)	79,255	0	79,181
C	July 2018	(55)	(99)	79,554	0	79,400
D	August 2018	(43)	(159)	79,824	0	79,622
E	September 2018	(33)	(190)	80,073	0	79,850
F	October 2018	(21)	(213)	80,303	0	80,069
G	November 2018	(9)	(220)	80,524	0	80,295
H	December 2018	0	(214)	80,734	0	80,520
I	January 2019	0	(201)	3,410	77,535	80,744
J	February 2019	0	(176)	1,806	79,338	80,968
K	March 2019	0	(142)	937	80,405	81,200
L	April 2019	0	(124)	486	81,063	81,425
M	CY Client Total	(327)	(1,541)	645,762	318,341	962,235
N	CY PMPM Rate <sup>(1)</sup>	Varies <sup>(2)</sup>	Varies <sup>(2)</sup>	\$167.32	\$176.38	
O	<b>Expenditures <sup>(3)</sup></b>	<b>(\$46,205)</b>	<b>(\$244,493)</b>	<b>\$108,048,898</b>	<b>\$56,148,986</b>	<b>\$163,907,186</b>

(1) PMPM Rates in Row N are shown in table 2.3b  
(2) Rate changes occurred for calendar years 2015, 2016 and 2017 due to FMAP changes shown in Table 4.4  
(3) Expenditures are calculated by multiplying caseload by the respective PMPM rates shown in Table 2.3b

<b>Table 2.3b</b>					
<b>Caseload Breakdown for FY 2018-19 with CY 2016 and CY 2017 Rates</b>					
<b>Row</b>	<b>Rate Period</b>	<b>Caseload Forecast</b>	<b>Rates</b>	<b>Total</b>	<b>Source</b>
D	Jan - Sept 2016	(110)	\$139.98	(\$15,398)	Caseload Forecast * Actual Rate
E	Oct - Dec 2016	(217)	\$141.97	(\$30,807)	Caseload Forecast * Actual Rate
F	<b>CY 2016 Total</b>	<b>(327)</b>		<b>(\$46,205)</b>	Row D + Row E
G	Jan - Sept 2017	(1,320)	\$158.65	(\$209,418)	Caseload Forecast * Table 3.1 row Q
H	Oct - Dec 2017	(221)	\$158.71	(\$35,075)	Caseload Forecast * Table 3.1 row S
I	<b>CY 2017 Total</b>	<b>(1,541)</b>		<b>(\$244,493)</b>	Row G + Row H

R-4 Medicare Modernization Act State Contribution Payment  
Appendix A: Calculations and Assumptions

<b>Table 3.1</b>			
<b>Estimated CY 2017 PMPM Rate Calculation</b>			
Row	Item		Source
2015 NHE Estimates			
A	2003 Per Capita Rx Drug Expenditures	\$610	Centers for Medicare and Medicaid Services (CMS) <sup>(1)</sup>
B	2006 Per Capita Rx Drug Expenditures	\$752	Centers for Medicare and Medicaid Services (CMS) <sup>(1)</sup>
C	Percentage Growth	23.28%	(Row B ÷ Row A) - 1
Projected 2016 NHE Estimates			
D	2003 Per Capita Rx Drug Expenditures	\$610	Department estimate
E	2006 Per Capita Rx Drug Expenditures	\$752	Department estimate
F	Percentage Growth	23.28%	(Row E ÷ Row D) - 1
G	Change in Percentage Growth	0.00%	(1 + Row F) ÷ (1 + Row C) - 1
H	Annual percentage trend for July 2016	6.99%	Centers for Medicare and Medicaid Services (CMS) <sup>(2)</sup>
I	Prior Year Revisions of Annual percentage Trend	4.45%	Centers for Medicare and Medicaid Services (CMS) <sup>(2)</sup>
J	Annual Percentage Increase in Average Per Capita Aggregate Part D Expenditures for 2017	11.75%	Centers for Medicare and Medicaid Services (CMS) <sup>(2)</sup>
K	<b>FINAL Percentage Change in Rate Prior to Applying Phasedown for CY 2017</b>	<b>11.75%</b>	Row G + Row J
L	CY 2016 PMPM Rate Prior to FMAP and Phasedown	\$378.73	Actual
M	Projected CY 2017 PMPM Rate Prior to FMAP and Phasedown	\$423.23	Row L × (1 + Row K)
N	FFY 17 FMAP State Share	49.98%	FFY 17 FMAP is 50.02%
O	Projected CY 2017 PMPM Rate Prior to Phasedown	\$211.53	Row M × Row N
P	Phasedown Percentage Rate	75.00%	Sec. 1935. (C) (5) Title XIX of the Social Security Act
Q	<b>Estimated CY 2017 PMPM Rate (January through September 2017 with 50.02% FMAP)</b>	<b>\$158.65</b>	Row O × Row P
R	Projected FFY 18 FMAP State Share	50.00%	Estimated FFY 18 FMAP is 50%
S	<b>Estimated CY 2017 PMPM Rate (October through December 2017 with projected 50.00% FMAP)</b>	<b>\$158.71</b>	Row M x Row R x Row P
(1) Centers for Medicare and Medicaid Services (CMS), CY 2015 NHE estimates			
(2) From Announcement of CY 2017 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter, Table V. 3.			

R-4 Medicare Modernization Act State Contribution Payment  
Appendix A: Calculations and Assumptions

<b>Table 3.2</b>			
<b>Estimated CY 2018 PMPM Rate Calculation</b>			
Row	Item		Source
Projected 2016 NHE Estimates			
A	Estimated 2003 Per Capita Rx Drug Expenditures	\$610	Department estimate
B	Estimated 2006 Per Capita Rx Drug Expenditures	\$752	Department estimate
C	Percentage Growth	23.28%	(Row B ÷ Row A) - 1
Projected 2017 NHE Estimates			
D	Estimated 2003 Per Capita Rx Drug Expenditures	\$610	Department estimate
E	Estimated 2006 Per Capita Rx Drug Expenditures	\$752	Department estimate
F	Percentage Growth	23.28%	(Row E ÷ Row D) - 1
G	Change in Percentage Growth	0.00%	(1 + Row F) ÷ (1 + Row C) - 1
Projected Figures from Announcements of CY 2011 through CY 2017 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies			
H	Projected Annual percentage trend for July 2017	4.37%	Median Change from CY 2011 to CY 2017
I	Projected Prior Year Revisions of the Annual percentage trend	1.01%	Average Change from CY 2011 to CY 2017
J	Projected Annual Percentage Increase in Average Per Capita Aggregate Part D Expenditures for 2018	5.42%	(1 + Row H) × (1 + Row I) - 1
K	<b>FINAL Percentage Change in Rate Prior to Applying Phasedown for CY 2018</b>	<b>5.42%</b>	Row G + Row J
L	Projected CY 2017 PMPM Rate Prior to FMAP and Phasedown	\$423.23	Table 3.1 Row M
M	Projected CY 2018 PMPM Rate Prior to FMAP and Phasedown	\$446.17	Row L × (1 + Row K)
N	Projected FFY 18 FMAP State Share	50.00%	Estimated FFY 18 FMAP is 50%
O	Projected CY 2018 PMPM Rate Prior to Phasedown	\$223.09	Row M × Row N
P	Ongoing Phasedown Percentage Rate	75.00%	Sec. 1935. (C) (5) Title XIX of the Social Security Act
Q	<b>Estimated CY 2018 PMPM Rate (January through December 2018 with 50.00% FMAP)</b>	<b>\$167.32</b>	Row O × Row P

R-4 Medicare Modernization Act State Contribution Payment  
Appendix A: Calculations and Assumptions

<b>Table 3.3</b>			
<b>Estimated CY 2019 PMPM Rate Calculation</b>			
Row	Item		Source
Projected 2017 NHE Estimates			
A	Estimated 2003 Per Capita Rx Drug Expenditures	\$610	Department estimate
B	Estimated 2006 Per Capita Rx Drug Expenditures	\$752	Department estimate
C	Percentage Growth	23.28%	$(\text{Row B} \div \text{Row A}) - 1$
Projected 2018 NHE Estimates			
D	Estimated 2003 Per Capita Rx Drug Expenditures	\$610	Department estimate
E	Estimated 2006 Per Capita Rx Drug Expenditures	\$752	Department estimate
F	Percentage Growth	23.28%	$(\text{Row E} \div \text{Row D}) - 1$
G	Change in Percentage Growth	0.00%	$(1 + \text{Row F}) \div (1 + \text{Row C}) - 1$
Projected Figures from Announcements of CY 2011 through CY 2017 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies			
H	Projected Annual percentage trend for July 2018	4.37%	Median Change from CY 2011 to CY 2017
I	Projected Prior Year Revisions of the Annual percentage trend	1.01%	Average Change from CY 2011 to CY 2017
J	Projected Annual Percentage Increase in Average Per Capita Aggregate Part D Expenditures for 2018	5.42%	$(1 + \text{Row H}) \times (1 + \text{Row I}) - 1$
K	<b>FINAL Percentage Change in Rate Prior to Applying Phasedown for CY 2018</b>	<b>5.42%</b>	Row G + Row H
L	CY 2018 PMPM Rate Prior to FMAP and Phasedown	\$446.17	Table 3.3 Row M
M	FINAL Percentage Change in Rate Prior to Applying Phasedown for CY 2018	5.42%	Row K
M	Projected CY 2018 PMPM Rate Prior to FMAP and Phasedown	\$470.36	$\text{Row L} \times (1 + \text{Row K})$
N	Projected FFY 18 FMAP State Share	50.00%	Estimated FFY 18 FMAP is 50%
O	Projected CY 2018 PMPM Rate Prior to Phasedown	\$235.18	$\text{Row M} \times \text{Row N}$
P	Ongoing Phasedown Percentage Rate	75.00%	Sec. 1935. (C) (5) Title XIX of the Social Security Act
Q	<b>Estimated CY 2018 PMPM Rate (January through December 2019 with 50.00% FMAP)</b>	<b>\$176.38</b>	$\text{Row O} \times \text{Row P}$

R-4 Medicare Modernization Act State Contribution Payment  
Appendix A: Calculations and Assumptions

<b>Table 4.1 Invoice Caseload History</b>		
<b>Item</b>	<b>Total Member Months Caseload</b>	<b>Average Monthly Caseload</b>
<b>FY 2006-07</b>	611,212	50,934
<b>FY 2007-08</b>	642,840	53,570
% Change from FY 2006-07	5.17%	5.18%
<b>FY 2008-09</b>	651,968	54,331
% Change from FY 2007-08	1.42%	1.42%
<b>FY 2009-10</b>	664,292	55,358
% Change from FY 2008-09	1.89%	1.89%
<b>FY 2010-11</b>	697,817	58,151
% Change from FY 2009-10	5.05%	5.05%
<b>FY 2011-12</b>	725,075	60,423
% Change from FY 2010-11	3.91%	3.91%
<b>FY 2012-13</b>	750,509	62,542
% Change from FY 2011-12	3.51%	3.51%
<b>FY 2013-14</b>	812,812	67,734
% Change from FY 2012-13	8.30%	8.30%
<b>FY 2014-15</b>	865,253	72,104
% Change from FY 2013-14	6.45%	6.45%
<b>FY 2015-16</b>	877,707	73,142
% Change from FY 2014-15	1.44%	1.44%
<b>FY 2016-17 Projection</b>	900,149	75,012
% Change from FY 2015-16 Projection	2.56%	2.56%
<b>FY 2017-18 Projection</b>	930,476	77,540
% Change from FY 2016-17 Projection	3.37%	3.37%
<b>FY 2018-19 Projection</b>	962,235	80,186
% Change from FY 2017-18 Projection	3.41%	3.37%

R-4 Medicare Modernization Act State Contribution Payment  
Appendix A: Calculations and Assumptions

<b>Table 4.2</b>		
<b>Aggregate Monthly Caseload History</b>		
<b>Item</b>	<b>Total Member Months Caseload</b>	<b>Average Monthly Caseload</b>
<b>FY 2006-07</b>	618,862	51,572
<b>FY 2007-08</b>	630,715	52,560
% Change from FY 2006-07	1.92%	1.92%
<b>FY 2008-09</b>	621,662	51,805
% Change from FY 2007-08	-1.44%	-1.44%
<b>FY 2009-10</b>	665,732	55,478
% Change from FY 2008-09	7.09%	7.09%
<b>FY 2010-11</b>	693,267	57,772
% Change from FY 2009-10	4.14%	4.13%
<b>FY 2011-12</b>	728,875	60,740
% Change from FY 2010-11	5.14%	5.14%
<b>FY 2012-13</b>	757,424	63,119
% Change from FY 2011-12	3.92%	3.92%
<b>FY 2013-14</b>	803,212	66,934
% Change from FY 2012-13	6.05%	6.04%
<b>FY 2014-15</b>	864,907	72,076
% Change from FY 2013-14	7.68%	7.68%
<b>FY 2015-16</b>	877,957	73,163
% Change from FY 2014-15	1.51%	1.51%
<b>FY 2016-17 Projection</b>	900,116	75,010
% Change from FY 2015-16 Projection	2.52%	2.52%
<b>FY 2017-18 Projection</b>	930,604	77,550
% Change from FY 2016-17 Projection	3.39%	3.39%
<b>FY 2018-19 Projection</b>	962,356	80,196
% Change from FY 2017-18 Projection	3.41%	3.41%

R-4 Medicare Modernization Act State Contribution Payment  
Appendix A: Calculations and Assumptions

<b>Table 4.3</b>				
<b>Summary of PMPM Rates by Calendar Year (CY) with FMAP</b>				
<b>Row</b>	<b>Year</b>	<b>Rate</b>	<b>FMAP</b>	<b>Source</b>
<b>CY 2014</b>				
A	Jan-Sept 2014	\$125.50	50.00%	Actual CMS
B	Oct-Dec 2014	\$122.97	51.01%	Actual CMS
<b>CY 2015</b>				
C	Jan-Sept 2015	\$124.68	51.01%	Actual CMS
D	Oct-Dec 2015	\$125.42	50.72%	Actual CMS
<b>CY 2016</b>				
E	Jan-Sept 2016	\$139.98	50.72%	Actual CMS
F	Oct-Dec 2016	\$141.97	50.02%	Actual CMS
<b>CY 2017</b>				
G	Jan-Sept 2017	\$158.65	50.02%	Table 3.1 Row Q
H	Estimated Oct-Dec 2017	\$158.71	50.00%	Table 3.1 Row S
<b>CY 2018</b>				
I	Estimated Jan-Dec 2018	\$167.32	50.00%	Table 3.2 Row Q
<b>CY 2019</b>				
J	Estimated Jan-Dec 2019	\$176.38	50.00%	Table 3.3 Row Q

R-4 Medicare Modernization Act State Contribution Payment  
Appendix A: Calculations and Assumptions

<b>Table 4.4</b>					
<b>Quarterly PMPM Rate History</b>					
<b>Item</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Average PMPM Rate</b>
<b>CY 2006</b>	\$114.71	\$114.71	\$114.71	\$114.71	<b>\$114.71</b>
<b>CY 2007</b>	\$120.30	\$120.30	\$120.30	\$120.30	<b>\$120.30</b>
% Change from CY 2006					4.87%
<b>CY 2008</b>	\$120.03	\$120.03	\$120.03	\$98.95	<b>\$114.76</b>
% Change from CY 2007					-4.61%
<b>CY 2009</b>	\$106.03	\$98.81	\$98.81	\$98.81	<b>\$100.62</b>
% Change from CY 2008					-12.33%
<b>CY 2010</b>	\$101.49	\$101.49	\$101.49	\$101.49	<b>\$101.49</b>
% Change from CY 2009					0.87%
<b>CY 2011</b>	\$107.07	\$111.97	\$129.84	\$129.84	<b>\$119.68</b>
% Change from CY 2010					17.92%
<b>CY 2012</b>	\$132.41	\$132.41	\$132.41	\$132.41	<b>\$132.41</b>
% Change from CY 2011					10.64%
<b>CY 2013</b>	\$133.62	\$133.62	\$133.62	\$133.62	<b>\$133.62</b>
% Change from CY 2012					0.91%
<b>CY 2014</b>	\$125.50	\$125.50	\$125.50	\$122.97	<b>\$124.87</b>
% Change from CY 2013					-6.55%
<b>CY 2015</b>	\$124.68	\$124.68	\$124.68	\$125.42	<b>\$124.87</b>
% Change from CY 2014					0.00%
<b>CY 2016</b>	\$139.98	\$139.98	\$139.98	\$141.97	<b>\$140.48</b>
% Change from CY 2015					12.50%
<b>CY 2017 Projection</b>	\$158.65	\$158.65	\$158.65	\$158.71	<b>\$158.67</b>
% Change from CY 2016					12.95%
<b>CY 2018 Projection</b>	\$167.32	\$167.32	\$167.32	\$167.32	<b>\$167.32</b>
% Change from CY 2017					5.45%
<b>CY 2019 Projection</b>	\$176.38	\$176.38	\$176.38	\$176.38	<b>\$176.38</b>
% Change from CY 2018					5.41%