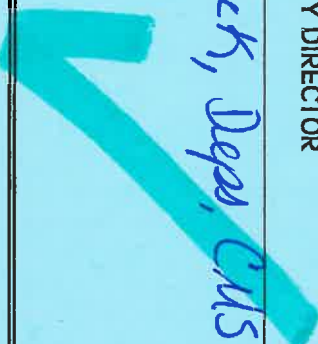


**DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR**

ACTION REFERRAL

TO	DATE
<i>Grise</i>	<i>1-20-12</i>

DIRECTOR'S USE ONLY		ACTION REQUESTED	
1. LOG NUMBER	<i>100275</i>	<input type="checkbox"/> Prepare reply for the Director's signature	DATE DUE _____
2. DATE SIGNED BY DIRECTOR	<i>cc: Mr. Heck, Depo, CHS file</i>	<input type="checkbox"/> Prepare reply for appropriate signature	DATE DUE _____
		<input type="checkbox"/> FOIA	DATE DUE _____
		<input checked="" type="checkbox"/> Necessary Action	

APPROVALS (Only when prepared for director's signature)	APPROVE	* DISAPPROVE (Note reason for disapproval and return to preparer.)	COMMENT
1.			
2.			
3.			
4.			

Sorry to bother you... per Jan, should we
log this? b1 12/22/11

no

RECEIVED

JAN 12 2012

Department of Health & Human Services
OFFICE OF THE DIRECTOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, MD 21244-1850



Center for Medicaid, CHIP and Survey & Certification

CMCS Informational Bulletin

DATE: September 30, 2011

FROM: Cindy Mann
Director
Center for Medicaid, CHIP and Survey & Certification (CMCS)

SUBJECT: Medicaid Cost Sharing – FY 2012 Update to Nominal Cost Sharing
and

Calendar Year (CY) 2011 October through December and Calendar Year
(CY) 2012 January through September Phased-down State Contribution
Final Per-Capita Rates

This Informational Bulletin provides information regarding the FY2012 Medicaid nominal cost sharing amounts, as well as the phased-down State contribution full dual-eligible per capita Medicaid drug payment amount for October through December 2011 and January through September 2012.

Medicaid Cost Sharing – FY 2012 Update to Nominal Cost Sharing

Per section 1916(h) of the Social Security Act, the Centers for Medicare & Medicaid Services (CMS) is required to update the Medicaid nominal cost sharing amounts for each Federal fiscal year beginning on October 1. As described at 42 CFR 447.54, the following updated amounts, effective October 1, 2011, are calculated based on the change in the medical care component of the consumer price index for all urban consumers (CPI-U). The net change in CPI-U from September 2009 to September 2010 is 3.4 percent. The maximum copayment amounts were rounded up to the next highest 5-cent increment without considering any rounding adjustment in the prior year.

FY 2012 Maximum Nominal Copayment Amounts

State payment for service	FY 2012 Maximum copayment
\$10 or less	\$0.65
\$10.01 to \$25	\$1.30
\$25.01 to \$50	\$2.55
\$50.01 or more	\$3.80

FY 2012 Maximum Nominal Deductible and MCO Copayment Amounts

State payment for service	FY 2012 Maximum copayment
Deductible	\$2.55
Managed Care Organization Copayment	\$3.80

Questions related to these cost sharing amounts may be directed to Rebecca Bruno at 410-786-5568 or Rebecca.Bruno@cms.hhs.gov

Calendar Year (CY) 2011 October through December and Calendar Year (CY) 2012 January through September Phased-down State Contribution Final Per-Capita Rates

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) requires that CMS notify each State, no later than October 15 of each CY, of its annual per capita drug payment expenditure amount for the following year. Payments for the phased-down State contribution are made on a monthly basis. These payments are defined by the MMA to be the product of the annual per capita full dual-eligible drug payment amount and the monthly State enrollment of full dual eligibles. The phased-down State contribution full dual-eligible per capita Medicaid drug payment amount for January through September 2012 are included in this bulletin, as required by the MMA.

Since State phased-down per capita rates have reverted to using original, unenhanced Federal Medical Assistance Percentages (FMAPs), we have also included in Attachment 1 the phased-down State contribution full dual-eligible per capita Medicaid drug payment amount for October through December 2011. The per capita drug expenditure amount for October through December 2011 is based on the value for July through September 2011, adjusted for the change in FMAP, if any, between FY 2011 and FY 2012. The per capita drug expenditure amount for January through September 2012 is based on the value for October through September 2011 with the following adjustments:

1. The value is adjusted by the annual percentage increase (API) in per capita Part D expenditures for the 2012 contract year (3.34 percent), along with an adjustment to account for revisions to prior year estimates of per capita drug cost growth from 2003 to 2006 (0.74 percent). This results in a total growth rate of 4.10 percent.
2. The phased-down contribution percentage is reduced from 81-2/3 percent of projected State per capita expenditures to 80 percent.
3. Based on the effects of the API update and the reduction in the phased-down contribution percentage, the net change in the State phased-down per capita drug payment amount for CY2012 is 1.98 percent. Details are described in Attachment 2, provided by the CMS Office of the Actuary.

Questions regarding these calculations may be directed to Yong Li, Division of Information Analysis and Technical Assistance, Data and Systems Group, at 410-786-3882 or via email at yong.li@cms.hhs.gov.

ATTACHMENT 1: Phased-down State Contribution Rates October 2011 through September 2012

<u>STATE</u>	<u>STATE NAME</u>	<u>OCT - DEC 2011</u>	<u>JAN - SEP 2012</u>
AK	Alaska	149.09	152.03
AL	Alabama	64.53	65.80
AR	Arkansas	55.17	56.26
AZ	Arizona	50.06	51.05
CA	California	100.77	102.76
CO	Colorado	129.84	132.41
CT	Connecticut	159.74	162.89
DC	District of Columbia	57.29	58.42
DE	Delaware	117.35	119.67
FL	Florida	122.53	124.95
GA	Georgia	78.17	79.71
HI	Hawaii	92.00	93.82
IA	Iowa	108.28	110.42
ID	Idaho	85.56	87.25
IL	Illinois	130.52	133.10
IN	Indiana	88.94	90.69
KS	Kansas	117.32	119.63
KY	Kentucky	74.50	75.97
LA	Louisiana	77.25	78.78
MA	Massachusetts	106.96	109.07
MD	Maryland	136.45	139.15
ME	Maine	83.59	85.24
MI	Michigan	65.51	66.81
MN	Minnesota	131.70	134.30
MO	Missouri	117.78	120.11
MS	Mississippi	51.79	52.82
MT	Montana	88.64	90.39
NC	North Carolina	92.98	94.82
ND	North Dakota	102.08	104.10
NE	Nebraska	118.35	120.69
NH	New Hampshire	151.69	154.69
NJ	New Jersey	163.20	166.43
NM	New Mexico	54.24	55.31
NV	Nevada	108.26	110.40
NY	New York	120.34	122.71
OH	Ohio	116.37	118.67
OK	Oklahoma	71.56	72.98
OR	Oregon	98.85	100.81
PA	Pennsylvania	126.49	128.99
RI	Rhode Island	124.26	126.72
SC	South Carolina	54.82	55.90
SD	South Dakota	108.76	110.91
TN	Tennessee	100.35	102.34
TX	Texas	85.12	86.80
UT	Utah	88.21	89.96
VA	Virginia	137.43	140.14
VT	Vermont	105.72	107.81
WA	Washington	130.09	132.66
WI	Wisconsin	106.58	108.68
WV	West Virginia	66.23	67.54
WY	Wyoming	143.63	146.47

ATTACHMENT 2: Phased-Down State Contribution to Part D Annual Rate Update for 2012

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) requires CMS to calculate the payment rates for the Phased-Down State Contribution (PDSC) to Part D each year using the latest available National Health Expenditure (NHE) estimates of per capita drug expenditure growth for the period 2003 to 2006, combined with the annual percentage increase (API) in average per capita aggregate Part D expenditures for 2007 and later years, as defined in section 1860D-2(b)(6) of the Social Security Act. As announced on April 4, 2011, the API for 2012 is 3.34%.¹ Details of the API calculation are contained in the advance notice dated February 18, 2011.²

The 2012 API includes an adjustment for revisions to the 2007, 2008, 2009, 2010, and 2011 percentage increases, based on subsequent data and projections, as described in the February 18 advance notice. Since the MMA requires use of the latest NHE estimates for 2003 through 2006, the 2012 PDSC rates also reflect updates to estimates of per capita prescription drug expenditure growth for the period 2003 to 2006 that have occurred since the promulgation of the 2011 rates. The 2011 rates were based on historical NHE estimates from January 2010 and reflected a cumulative per capita prescription drug expenditure growth rate of 21.00% from 2003 to 2006. The current, January 2011, NHE estimates show a cumulative growth rate of 21.89% for the same period.³ Accordingly, the 2012 PDSC rates include a multiplicative adjustment of 0.74%

¹ See <http://www.cms.gov/MedicareAdvtygSpecRateStats/Downloads/Announcement2012.pdf>, Attachment IV.

² See <http://www.cms.gov/MedicareAdvtygSpecRateStats/Downloads/Advance2012.pdf>, Attachment IV.

³ The current per capita estimates are \$603 for 2003 and \$735 for 2006. These values are derived from data found at <https://www.cms.gov/NationalHealthExpendData/downloads/nhe2009.zip>.

(1.2189/1.2100 – 1) to account for the updated 2003 to 2006 growth estimates. When applied to the 2012 API of 3.34%, this adjustment results in a net per capita prescription drug expenditure increase for 2012 of 4.10% ($1.0334 \times 1.0074 - 1$).

The final PDSC payment rates include a discount factor (the “factor for the month” specified in section 1935(c)(5)), which is 80% in 2012. Since the factor for 2011 was $81\frac{2}{3}\%$, the 2012 payment rates will include an adjustment of –2.04% ($80 / 81\frac{2}{3} - 1$) and the net payment rate will increase by 1.98% ($1.0410 \times (1 - 0.0204) - 1 = 0.0198$). The table below summarizes these calculations.

2012 Phased-down State Contribution Payment Rate Increase

Annual Percentage Increase for 2012	3.34%
Adjustment for updated 2003-2006 growth	0.74%
2012 PDSC per capita expenditure increase	4.10%
Change in discount factor	–2.04%
Final 2012 PDSC payment rate increase	1.98%

Note: Percentages in this table are multiplicative, not additive. Calculations based on displayed values may vary from results shown, since values are carried to additional decimal places.

Office of the Actuary

August 31, 2011