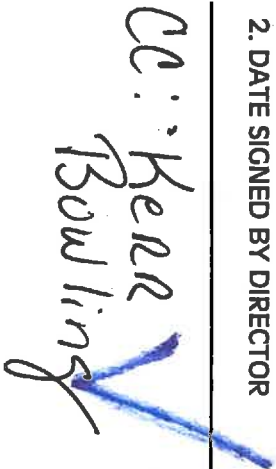


DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

TO	DATE
Wells	10/17/06

DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER 000313	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR 	<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.			

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



Center for Medicaid and State Operations

October 13, 2006

Mr. Robert M. Kerr, Director

Dept of Health and Human Services

PO Box 8206

Columbia, SC 29202-8206

RECEIVED

OCT 17 2006

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Dear Mr. Kerr:

The purpose of this letter is to notify you of your phased-down State contribution full-dual eligible per-capita Medicaid drug payment amount for calendar year 2007, as required in the Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA). This information will be the basis for your monthly phased-down State contribution payments. These State contributions are an important component of a balanced package of MMA provisions that we believe provides a significant benefit to dual eligibles, and will provide long-term savings to States.

The MMA requires that CMS notify each State no later than October 15 before each calendar year 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 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.

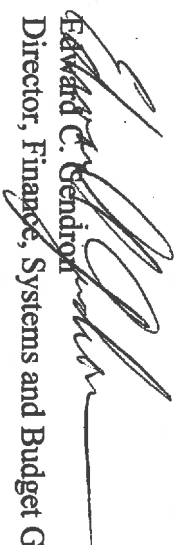
The phased-down State contribution data for your State is enclosed with this letter. The per-capita drug expenditure amount for 2007 is based on the 2006 value with the following adjustments:

1. The value is adjusted by the National Health Expenditures growth rate from 2006 to 2007. This growth rate is 6.86 percent.
2. The phased-down contribution percentage is reduced from 90 percent of projected State per-capita expenditures to 88 1/3 percent.
3. Based on the effects of the NHE growth rate and the reduction in the phased-down contribution percentage, the net growth in the State per-capita drug cost from CY 2006 to CY 2007 is 4.88 percent.
4. There is no change in the State matching rate used to establish the State share of expenditures from the rate used for October-December 2006. The matching rate for Federal Fiscal Year (FFY) 2007 is in effect October 2006 through September 2007. The CY 2007 per-capita expenditures will not change until October 2007 when the FFY 2008 matching rate takes effect. That FFY 2008 matching rate will be updated at a later date.

We very much appreciate the States' partnership role in implementing and operating the provisions of the MMA. We believe that the package of MMA provisions has served the dual eligible population well.

Please contact Roger Buchanan (410-786-0780 or roger.buchanan@cms.hhs.gov) if you have any questions or need further clarification.

Sincerely,


Edward C. Gendron
Director, Finance, Systems and Budget Group

Enclosure

CC: Associate Regional Administrator, Medicaid
Regional Administrator

ENCLOSURE- PHASED-DOWN STATE CONTRIBUTION DATA

SOUTH CAROLINA

The table below contains the final 2006 per-dual-eligible drug payments for your State, as well as the factors used to determine the final 2007 per-capita drug payment amount. Note that some values in this table are rounded for presentation purposes, but that all calculations up to the final per-capita drug expenditure baseline are made using full decimal precision.

	2006 Value	2007 Value
October-December 2006 Per-capita Drug Payment	\$49.57	
NHE Growth Rate *		6.86 %
Phased-Down Percentage	90 %	88 1/3 %
Final 2007 Per-capita Drug Payment **		\$51.98

* The full precision value used to calculate the 2007 payment amount is derived using the values \$701.25 / \$656.25. The basis for these values is described at:
<http://www.cms.hhs.gov/MedicareadvtsSpecRateStats/07 PartDBenefitParameters.asp>
 (click on the 2007 Part D parameter updates link)

** Final per-capita payment for January-September 2007. October-December 2007 will be updated when final FY 2008 Federal/State Medicaid Matching Percentage becomes available.

The 2007 per-capita is derived by taking the 2006 value, multiplying by the NHE growth rate, dividing by the 2006 phase-down percentage, and multiplying by the 2007 phased-down percentage.

The final per-capita baseline number provided above will be multiplied by your monthly full-dual eligible enrollment, as reported in your monthly MMA dual enrollment file and matched to Part D enrollment, to establish each month's phased down State contribution bill.