



**Department Priority: R-4**  
**Request Detail: Medicare Modernization Act**

| <b>Summary of Funding Change for FY 2021-22</b> |                                     |                            |                               |                               |
|---|-------------------------------------|----------------------------|-------------------------------|-------------------------------|
|   | <b>Totals</b>                       |                            | <b>Incremental Change</b>     |                               |
|   | <b>FY 2020-21<br/>Appropriation</b> | <b>FY 2021-22<br/>Base</b> | <b>FY 2021-22<br/>Request</b> | <b>FY 2022-23<br/>Request</b> |
| Total Funds                                     | \$168,297,340                       | \$168,297,340              | \$21,592,081                  | \$32,362,737                  |
| FTE   | 0.0                                 | 0.0                        | 0.0                           | 0.0                           |
| General Fund                                    | \$168,297,340                       | \$168,297,340              | \$21,592,081                  | \$32,362,737                  |
| Cash Funds                                      | \$0                                 | \$0                        | \$0                           | \$0                           |
| Reappropriated Funds                            | \$0                                 | \$0                        | \$0                           | \$0                           |
| Federal Funds                                   | \$0                                 | \$0                        | \$0                           | \$0                           |

***Summary of Request:***

The Department requests a reduction of \$14,430,417 General Fund for FY 2020-21; an increase of \$21,592,081 General Fund for FY 2021-22; and an increase of \$32,632,737 General Fund for FY 2022-23 to true up funding related to 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:***

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.

***Problem or Opportunity:***

Current projections indicate that an incremental funding decrease to the appropriation for FY 2020-21 is appropriate. The Department anticipates that the appropriation for Medicare Modernization Act in FY 2021-22 and FY 2022-23 are not sufficient to make payments for the required clawback payments in those years.

***Proposed Solution:***

The Department requests a reduction of \$14,430,417 General Fund for FY 2020-21; an increase of \$21,592,081 General Fund for FY 2021-22; and an increase of \$32,362,737 General Fund for FY 2022-23 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 reimbursement to the federal government and is not eligible to receive a federal match.

***Anticipated Outcomes:***

One of the Department’s top priorities in its Performance Plan is cost control within the Medicaid program. 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 and 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 2020-21, FY 2021-22, and FY 2022-23 in tables 1.1, 1.2, and 1.3, respectively.

The State's clawback payment is calculated according to three factors:

1. The projected number of Medicare and Medicaid dual-eligible clients enrolled in a Part D plan;
2. 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
3. A "phasedown" percentage of the State's obligation for the PMPM rate was set forth by the MMA starting at 90% in 2006 and declined by 1.67% each year thereafter until 2015 when it reached 75%, where it will remain ongoing.

The Department's current estimates of the clawback payment are \$153,866,923 for FY 2020-21; \$189,889,421 for FY 2021-22; and \$200,660,077 for FY 2022-23, based on the Department's most recent caseload projections and actual and projected per member per month (PMPM) rates paid by the State as required by federal regulations.

The total caseload and expenditure estimates for FY 2020-21, FY 2021-22, and FY 2022-23 are calculated in tables 2.1a, 2.1b, 2.1c, and 2.1d; 2.2a, 2.2b, and 2.2c; and 2.3a, 2.3b, and 2.3c, respectively. The Department assumes the dual-eligible caseload will follow a 1.31% annual growth trend, consistent with growth over three years from August 2017 through July 2020. This method estimates caseload by increasing the total caseload incurred each month by 0.14% 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 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. Retroactivity is also considered in this forecast because clients can be retroactively enrolled and disenrolled for up to 36 months. Tables 2.1b, 2.1c, 2.2b, 2.2c, 2.3b, and 2.3c provide calculations of caseload and expenditures for dual-eligible clients by the various PMPM rates for the calendar year resulting from changes in the Federal Medical Assistance Percentage (FMAP). The PMPM rates are also adjusted based on changes in the FMAP rate which occur on a federal fiscal year (October 1 through September 30 timespan) as follows:

- FFY 2016: 50.72%
- FFY 2017: 50.02%
- FFY 2018: 50.00%
- FFY 2019: 50.00%
- FFY 2020: 50.00%

In July 2020, CMS notified the Department that the temporary increase to the federal medical assistance percentage (FMAP) provided by the Families First Coronavirus Act (P. L. 116-127)

would also apply to the State's share of the costs of the Medicare Part D outpatient prescription drug benefit for dual-eligible clients. The increase was effective retroactive to January 1, 2020. The Department assumes that the temporary increase to the FMAP will be effective through March 31<sup>st</sup>, 2021. A billing adjustment of (\$6,701,559.80) for CY 2020 caseload that was paid in FY 2019-20 was processed to reflect the retroactive rate change and appeared on a subsequent invoice received by the Department in FY 2020-21. Table 2.1d shows the estimated breakdown of the retroactive credit received through the temporary increase to the FMAP for the CY 2020 PMPM rate.

The changes in the PMPM rate are based on a prescribed methodology established by CMS. Table 3.1 shows the actual CY 2020 PMPM for January through December 2020 at an enhanced FMAP. The estimated PMPM rates for CY 2021, CY 2022, and CY 2023 are calculated in tables 3.2, 3.3, and 3.4, respectively. The CY 2021 change in percentage of growth in table 3.2 row G is calculated by dividing the projected 2020 National Health Expenditure (NHE) percentage growth rate of per capita prescription drug expenditure between years 2003 and 2006 in row F by the 2019 NHE percentage of growth in row C, minus 1. For CY 2022 and CY 2023, the Department uses the average of the last seven years of the annual percentage increase (API) in average per capita Part D expenditures from CY 2012 to CY 2020 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 3.3 and 3.4.

Table 4.1 provides actual caseload history from FY 2006-07 through FY 2019-20 and caseload projections based on current trends for FY 2020-21 through FY 2022-23. Table 4.2 provides actual and projected aggregate monthly caseload history by number of member months and average monthly caseload. Table 4.3 shows the PMPM rate history from CY 2014 to CY 2020 and projected PMPM rates for CY 2021 to CY 2023. Table 4.4 shows the actual PMPM rate history by each quarter of the calendar year from CY 2006 to CY 2020 and projected PMPM rates for CY 2021 to CY 2023.

***Supplemental, 1331 Supplemental or Budget Amendment Criteria:***

The supplemental request is necessary as a result of changes in dual-eligible caseload, which impacts the amount paid in the clawback payment.

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Appendix A: Calculations and Assumptions

| <b>Table 1.1</b>   |   |                       |                       |                                     |
|--|---|-----------------------|-----------------------|-------------------------------------|
| <b>FY 2020-21 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 2020-21 Spending Authority                         | \$168,297,340         | \$168,297,340         | Long Bill Appropriation (HB20-1360) |
| B  | Projected FY 2020-21 Expenditures                     | \$153,866,923         | \$153,866,923         | Table 2.1a Row O + Table 2.1c Row Q |
| <b>C</b>   | <b>FY 2020-21 Estimated Change from Appropriation</b> | <b>(\$14,430,417)</b> | <b>(\$14,430,417)</b> | <b>Row B - Row A</b>                |

| <b>Table 1.2</b>   |   |                     |                     |                                     |
|--|---|---------------------|---------------------|-------------------------------------|
| <b>FY 2021-22 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 2021-22 Spending Authority                         | \$168,297,340       | \$168,297,340       | Long Bill Appropriation (HB20-1360) |
| B  | Projected FY 2021-22 Expenditures                     | \$189,889,421       | \$189,889,421       | Table 2.2a Row O                    |
| <b>C</b>   | <b>FY 2021-22 Estimated Change from Appropriation</b> | <b>\$21,592,081</b> | <b>\$21,592,081</b> | <b>Row B - Row A</b>                |

| <b>Table 1.3</b>   |   |                     |                     |                                     |
|--|---|---------------------|---------------------|-------------------------------------|
| <b>FY 2022-23 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 2022-23 Spending Authority                         | \$168,297,340       | \$168,297,340       | Long Bill Appropriation (HB20-1360) |
| B  | Projected FY 2022-23 Expenditures                     | \$200,660,077       | \$200,660,077       | Table 2.3a Row O                    |
| <b>C</b>   | <b>FY 2022-23 Estimated Change from Appropriation</b> | <b>\$32,362,737</b> | <b>\$32,362,737</b> | <b>Row B - Row A</b>                |

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Appendix A: Calculations and Assumptions

| <b>Table 2.1a</b>                                     |                 |          |           |               |              |                  |
|---|-----------------|----------|-----------|---------------|--------------|------------------|
| <b>FY 2020-21 Projected Caseload and Expenditures</b> |                 |          |           |               |              |                  |
| Row   | Month           | CY 2018  | CY 2019   | CY 2020       | CY 2021      | FY 2020-21 TOTAL |
| A   | May 2020        | (65)     | 418       | 82,167        | 0            | 82,520           |
| B   | June 2020       | (118)    | 249       | 83,353        | 0            | 83,484           |
| C   | July 2020       | 140      | 416       | 82,505        | 0            | 83,061           |
| D   | August 2020     | 46       | 477       | 86,658        | 0            | 87,181           |
| E   | September 2020  | 33       | 402       | 88,105        | 0            | 88,540           |
| F   | October 2020    | 21       | 341       | 89,640        | 0            | 90,002           |
| G   | November 2020   | 9        | 289       | 88,500        | 0            | 88,798           |
| H   | December 2020   | 0        | 244       | 87,285        | 0            | 87,529           |
| I   | January 2021    | 0        | 205       | 5,235         | 80,786       | 86,226           |
| J   | February 2021   | 0        | 167       | 3,096         | 83,026       | 86,289           |
| K   | March 2021      | 0        | 140       | 1,990         | 84,262       | 86,392           |
| L   | April 2021      | 0        | 118       | 1,328         | 85,052       | 86,498           |
| M   | CY Client Total | 66       | 3,466     | 699,862       | 333,126      | 1,036,520        |
| N   | CY PMPM Rate    | \$160.92 | \$164.04  | Varies        | Varies       |                  |
| O   | Expenditures    | \$10,621 | \$568,563 | \$105,805,137 | \$54,096,850 | \$160,481,171    |

| <b>Table 2.1b</b>   |                      |                   |          |                      |                          |
|---|----------------------|-------------------|----------|----------------------|--------------------------|
| <b>Caseload Breakdown for FY 2020-21 with CY 2020 Rates</b> |                      |                   |          |                      |                          |
| Row   | Rate Period          | Caseload Forecast | Rates    | Total                | Source                   |
| A   | Jan - Sept 2020      | 435,863           | \$151.18 | \$65,893,830         | Caseload forecast * rate |
| B   | Oct - Dec 2020       | 263,999           | \$151.18 | \$39,911,307         | Caseload forecast * rate |
| C   | <b>CY 2020 Total</b> | <b>699,862</b>    |          | <b>\$105,805,137</b> | Row A + Row B            |

| <b>Table 2.1c</b>   |                      |                   |          |                     |                          |
|---|----------------------|-------------------|----------|---------------------|--------------------------|
| <b>Caseload Breakdown for FY 2020-21 with CY 2021 Rates</b> |                      |                   |          |                     |                          |
| Row   | Rate Period          | Caseload Forecast | Rates    | Total               | Source                   |
| A   | Jan - Mar 2021       | 251,995           | \$156.98 | \$39,558,175        | Caseload forecast * rate |
| B   | Apr - Dec 2021       | 81,131            | \$179.20 | \$14,538,675        | Caseload forecast * rate |
| C   | <b>CY 2021 Total</b> | <b>333,126</b>    |          | <b>\$54,096,850</b> | Row A + Row B            |

| <b>Table 2.1d</b>   |                                 |            |            |            |                      |                      |
|---|---------------------------------|------------|------------|------------|----------------------|----------------------|
| <b>Enhanced FMAP Credit for CY 2020 Caseload Paid in FY 2019-20</b> |                                 |            |            |            |                      |                      |
| Row   | Month                           | CY 2017    | CY 2018    | CY 2019    | CY 2020              | FY 2020-21 TOTAL     |
| A   | May 2019                        | 189        | 961        | 76,537     | 0                    | 77,687               |
| B   | June 2019                       | 582        | 3,879      | 83,857     | 0                    | 88,318               |
| C   | July 2019                       | 104        | 523        | 78,624     | 0                    | 79,251               |
| D   | August 2019                     | 217        | 712        | 83,595     | 0                    | 84,524               |
| E   | September 2019                  | 82         | 153        | 77,793     | 0                    | 78,028               |
| F   | October 2019                    | 82         | 153        | 77,243     | 0                    | 77,478               |
| G   | November 2019                   | 82         | 153        | 76,692     | 0                    | 76,927               |
| H   | December 2019                   | 82         | 153        | 75,035     | 0                    | 75,270               |
| I   | January 2020                    | (20)       | 509        | 6,867      | 74,757               | 82,113               |
| J   | February 2020                   | 8          | 81         | 1,952      | 76,015               | 78,056               |
| K   | March 2020                      | 189        | 526        | 2,636      | 78,296               | 81,647               |
| L   | April 2020                      | (107)      | (116)      | 693        | 80,009               | 80,479               |
| M   | CY Client Total                 | 1,490      | 7,687      | 641,524    | 309,077              | 959,778              |
| N   | Previous CY PMPM Rate           | Varies     | \$160.92   | \$164.04   | \$172.58             |                      |
| O   | Enhanced CY PMPM Rate           | Varies     | \$160.92   | \$164.04   | \$151.18             |                      |
| P   | Difference in CY PMPM Rate      | \$0.00     | \$0.00     | \$0.00     | (\$21.40)            |                      |
| Q   | <b>Retroactive Expenditures</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>(\$6,614,248)</b> | <b>(\$6,614,248)</b> |

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

| <b>Table 2.2a</b>                                     |                 |                |                |                |                |                         |
|---|-----------------|----------------|----------------|----------------|----------------|-------------------------|
| <b>FY 2021-22 Projected Caseload and Expenditures</b> |                 |                |                |                |                |                         |
| <b>Row</b>  | <b>Month</b>    | <b>CY 2019</b> | <b>CY 2020</b> | <b>CY 2021</b> | <b>CY 2022</b> | <b>FY 2021-22 TOTAL</b> |
| A   | May 2021        | 99             | 956            | 85,564         | 0              | 86,619                  |
| B   | June 2021       | 79             | 756            | 85,904         | 0              | 86,739                  |
| C   | July 2021       | 65             | 620            | 86,176         | 0              | 86,861                  |
| D   | August 2021     | 48             | 517            | 86,421         | 0              | 86,986                  |
| E   | September 2021  | 33             | 435            | 86,640         | 0              | 87,108                  |
| F   | October 2021    | 22             | 366            | 86,840         | 0              | 87,228                  |
| G   | November 2021   | 9              | 309            | 87,033         | 0              | 87,351                  |
| H   | December 2021   | 0              | 265            | 87,214         | 0              | 87,479                  |
| I   | January 2022    | 0              | 218            | 5,207          | 82,176         | 87,601                  |
| J   | February 2022   | 0              | 182            | 3,089          | 84,455         | 87,726                  |
| K   | March 2022      | 0              | 152            | 1,989          | 85,712         | 87,853                  |
| L   | April 2022      | 0              | 127            | 1,335          | 86,515         | 87,977                  |
| M   | CY Client Total | 355            | 4,903          | 703,412        | 338,858        | 1,047,528               |
| N   | CY PMPM Rate    | \$164.04       | Varies         | Varies         | \$186.06       |                         |
| O   | Expenditures    | \$58,234       | \$741,236      | \$126,042,032  | \$63,047,919   | \$189,889,421           |

| <b>Table 2.2b</b>   |                      |                          |              |                  |                          |
|---|----------------------|--------------------------|--------------|------------------|--------------------------|
| <b>Caseload Breakdown for FY 2021-22 with CY 2020 Rates</b> |                      |                          |              |                  |                          |
| <b>Row</b>  | <b>Rate Period</b>   | <b>Caseload Forecast</b> | <b>Rates</b> | <b>Total</b>     | <b>Source</b>            |
| A   | Jan - Sept 2020      | 2,521                    | \$151.18     | \$381,125        | Caseload forecast * rate |
| B   | Oct - Dec 2020       | 2,382                    | \$151.18     | \$360,111        | Caseload forecast * rate |
| C   | <b>CY 2020 Total</b> | <b>4,903</b>             |              | <b>\$741,236</b> | Row A + Row B            |

| <b>Table 2.2c</b>   |                      |                          |              |                      |                          |
|---|----------------------|--------------------------|--------------|----------------------|--------------------------|
| <b>Caseload Breakdown for FY 2021-22 with CY 2021 Rates</b> |                      |                          |              |                      |                          |
| <b>Row</b>  | <b>Rate Period</b>   | <b>Caseload Forecast</b> | <b>Rates</b> | <b>Total</b>         | <b>Source</b>            |
| A   | Jan - Mar 2021       | 423                      | \$156.98     | \$66,403             | Caseload forecast * rate |
| B   | Apr - Dec 2021       | 702,989                  | \$179.20     | \$125,975,629        | Caseload forecast * rate |
| C   | <b>CY 2021 Total</b> | <b>703,412</b>           |              | <b>\$126,042,032</b> | Row A + Row B            |

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Appendix A: Calculations and Assumptions

| <b>Table 2.3a</b>                                     |                 |                |                |                |                |                         |
|---|-----------------|----------------|----------------|----------------|----------------|-------------------------|
| <b>FY 2022-23 Projected Caseload and Expenditures</b> |                 |                |                |                |                |                         |
| <b>Row</b>  | <b>Month</b>    | <b>CY 2020</b> | <b>CY 2021</b> | <b>CY 2022</b> | <b>CY 2023</b> | <b>FY 2022-23 TOTAL</b> |
| A   | May 2022        | 106            | 957            | 87,037         | 0              | 88,100                  |
| B   | June 2022       | 88             | 759            | 87,381         | 0              | 88,228                  |
| C   | July 2022       | 70             | 623            | 87,660         | 0              | 88,353                  |
| D   | August 2022     | 51             | 520            | 87,908         | 0              | 88,479                  |
| E   | September 2022  | 38             | 433            | 88,127         | 0              | 88,598                  |
| F   | October 2022    | 23             | 374            | 88,338         | 0              | 88,735                  |
| G   | November 2022   | 11             | 309            | 88,529         | 0              | 88,849                  |
| H   | December 2022   | 0              | 271            | 88,715         | 0              | 88,986                  |
| I   | January 2023    | 0              | 215            | 5,298          | 83,590         | 89,103                  |
| J   | February 2023   | 0              | 186            | 3,143          | 85,908         | 89,237                  |
| K   | March 2023      | 0              | 152            | 2,022          | 87,186         | 89,360                  |
| L   | April 2023      | 0              | 125            | 1,357          | 88,005         | 89,487                  |
| M   | CY Client Total | 387            | 4,924          | 715,515        | 344,689        | 1,065,515               |
| N   | CY PMPM Rate    | Varies         | Varies         | \$186.06       | \$193.19       |                         |
| O   | Expenditures    | \$58,507       | \$882,381      | \$133,128,721  | \$66,590,468   | \$200,660,077           |

| <b>Table 2.3b</b>   |                      |                          |              |                 |                          |
|---|----------------------|--------------------------|--------------|-----------------|--------------------------|
| <b>Caseload Breakdown for FY 2021-22 with CY 2020 Rates</b> |                      |                          |              |                 |                          |
| <b>Row</b>  | <b>Rate Period</b>   | <b>Caseload Forecast</b> | <b>Rates</b> | <b>Total</b>    | <b>Source</b>            |
| A   | Jan - Sept 2020      | 122                      | \$151.18     | \$18,444        | Caseload forecast * rate |
| B   | Oct - Dec 2020       | 265                      | \$151.18     | \$40,063        | Caseload forecast * rate |
| C   | <b>CY 2020 Total</b> | <b>387</b>               |              | <b>\$58,507</b> | Row A + Row B            |

| <b>Table 2.3c</b>   |                      |                          |              |                  |                          |
|---|----------------------|--------------------------|--------------|------------------|--------------------------|
| <b>Caseload Breakdown for FY 2021-22 with CY 2021 Rates</b> |                      |                          |              |                  |                          |
| <b>Row</b>  | <b>Rate Period</b>   | <b>Caseload Forecast</b> | <b>Rates</b> | <b>Total</b>     | <b>Source</b>            |
| A   | Jan - Mar 2021       | 0                        | \$156.98     | \$0              | Caseload forecast * rate |
| B   | Apr - Dec 2021       | 4,924                    | \$179.20     | \$882,381        | Caseload forecast * rate |
| C   | <b>CY 2021 Total</b> | <b>4,924</b>             |              | <b>\$882,381</b> | Row A + Row B            |



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Appendix A: Calculations and Assumptions

| Table 3.1<br>CY 2020 PMPM Rate |  |  |
|--------------------------------|--|--|
| Row                            | Item   | Source   |
| A                              | CY 2020 PMPM Rate (January through December 2020 with Enhanced FMAP) | \$151.18 Centers for Medicare and Medicaid Services (CMS) <sup>(1)</sup> |

(1) Centers for Medicare and Medicaid Services (CMS), Revised Calendar Year (CY) 2020 Jan - Sep Phased-down State Contribution Final Per-Capita Rates

| Table 3.2<br>Estimated CY 2021 PMPM Rate Calculation   |   |  |
|--|---|--|
| Row  | Item  | Source   |
| 2019 NHE Estimates   |   |  |
| A  | Estimated 2003 Per Capita Rx Drug Expenditures  | \$609 Department estimate                                      |
| B  | Estimated 2006 Per Capita Rx Drug Expenditures  | \$752 Department estimate                                      |
| C  | Percentage Growth   | 23.48% (Row B ÷ Row A) - 1                                     |
| Projected 2020 NHE Estimates   |   |  |
| D  | Estimated 2003 Per Capita Rx Drug Expenditures  | \$609 Department estimate                                      |
| E  | Estimated 2006 Per Capita Rx Drug Expenditures  | \$752 Department estimate                                      |
| F  | Percentage Growth   | 23.48% (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 2013 through CY 2020 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies |   |  |
| H  | Projected Annual percentage trend for July 2020   | 3.87% Average Change from CY 2013 to CY 2020                   |
| I  | Projected Prior Year Revisions of the Annual Percentage Trend                                     | -0.05% Median Change from CY 2013 to CY 2020                   |
| J  | Projected Annual Percentage Increase in Average Per Capita Aggregate Part D Expenditures for 2020 | 3.83% (1 + Row H) × (1 + Row I) - 1                            |
| K  | <b>FINAL Percentage Change in Rate Prior to Applying Phasedown for CY 2021</b>                    | <b>3.83%</b> Row G + Row H                                     |
| L  | CY 2020 PMPM Rate Prior to FMAP and Phasedown   | \$460.24 Prior year actual                                     |
| M  | Projected CY 2021 PMPM Rate Prior to FMAP and Phasedown   | \$477.86 Row L × (1 + Row K)                                   |
| N  | Projected CY 2021 FMAP State Share with Enhanced FMAP (January through March 2021)                | 43.80% Enhanced FMAP of 56.2% through first quarter of CY 2021 |
| O  | Projected CY 2021 FMAP State Share (April through December 2021)                                  | 50.00% Estimated FFY 21 FMAP is 50.00%                         |
| P  | Ongoing Phasedown Percentage Rate   | 75.00% Statutory rate : Sec. 1935, (C) (5) [42 U.S.C. 1396u-5] |
| Q  | <b>Estimated CY 2021 PMPM Rate (January through March 2021 with Enhanced 56.2% FMAP )</b>         | <b>\$156.98</b> Row M × Row N × Row Q                          |
| R  | <b>Estimated CY 2021 PMPM Rate (April through December 2021 with 50.00% FMAP)</b>                 | <b>\$179.20</b> Row M × Row O × Row Q                          |

Source: Centers for Medicare and Medicaid Services (CMS), 2011 thru 2015 NHE estimates; and Announcements of CY 2021 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies, Attachment V, Table V-1.

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

| <b>Table 3.3</b>  |   |                 |   |
|---|---|-----------------|---|
| <b>Estimated CY 2022 PMPM Rate Calculation</b>  |   |                 |   |
| Row   | Item  |                 | Source  |
| Projected 2020 NHE Estimates  |   |                 |   |
| A   | Estimated 2003 Per Capita Rx Drug Expenditures  | \$609           | Department estimate                                     |
| B   | Estimated 2006 Per Capita Rx Drug Expenditures  | \$752           | Department estimate                                     |
| C   | Percentage Growth   | 23.48%          | (Row B ÷ Row A) - 1                                     |
| Projected 2021 NHE Estimates  |   |                 |   |
| D   | Estimated 2003 Per Capita Rx Drug Expenditures  | \$609           | Department estimate                                     |
| E   | Estimated 2006 Per Capita Rx Drug Expenditures  | \$752           | Department estimate                                     |
| F   | Percentage Growth   | 23.48%          | (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 2013 through CY 2020 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies  |   |                 |   |
| H   | Projected Annual percentage trend for July 2020   | 3.87%           | Average Change from CY 2013 to CY 2020                  |
| I   | Projected Prior Year Revisions of the Annual Percentage Trend                                     | -0.05%          | Median Change from CY 2013 to CY 2020                   |
| J   | Projected Annual Percentage Increase in Average Per Capita Aggregate Part D Expenditures for 2020 | 3.83%           | (1 + Row H) × (1 + Row I) - 1                           |
| K   | <b>FINAL Percentage Change in Rate Prior to Applying Phasedown for CY 2022</b>                    | <b>3.83%</b>    | Row G + Row H   |
| L   | CY 2021 PMPM Rate Prior to FMAP and Phasedown   | \$477.86        | Table 3.2 Row M   |
| M   | Projected CY 2022 PMPM Rate Prior to FMAP and Phasedown   | \$496.17        | Row L × (1 + Row K)                                     |
| N   | Projected FFY 22 FMAP State Share   | 50.00%          | Estimated FFY 22 FMAP is 50.00%                         |
| O   | Projected CY 2022 PMPM Rate Prior to Phasedown  | \$248.08        | Row M × Row N   |
| P   | Ongoing Phasedown Percentage Rate   | 75.00%          | Statutory rate : Sec. 1935. (C) (5) [42 U.S.C. 1396u-5] |
| Q   | <b>Estimated CY 2022 PMPM Rate (January through December 2022 with 50.00% FMAP)</b>               | <b>\$186.06</b> | Row O × Row P   |
| Source: Centers for Medicare and Medicaid Services (CMS), 2011 thru 2015 NHE estimates; and Announcements of CY 2021 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies, Attachment V, Table V-1. |   |                 |   |

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

| <b>Table 3.4</b>   |   |                 |   |
|--|---|-----------------|---|
| <b>Estimated CY 2023 PMPM Rate Calculation</b>   |   |                 |   |
| Row  | Item  |                 | Source  |
| Projected 2021 NHE Estimates   |   |                 |   |
| A  | Estimated 2003 Per Capita Rx Drug Expenditures  | \$609           | Department estimate                                     |
| B  | Estimated 2006 Per Capita Rx Drug Expenditures  | \$752           | Department estimate                                     |
| C  | Percentage Growth   | 23.48%          | (Row B ÷ Row A) - 1                                     |
| Projected 2022 NHE Estimates   |   |                 |   |
| D  | Estimated 2003 Per Capita Rx Drug Expenditures  | \$609           | Department estimate                                     |
| E  | Estimated 2006 Per Capita Rx Drug Expenditures  | \$752           | Department estimate                                     |
| F  | Percentage Growth   | 23.48%          | (Row E ÷ 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 2012 through CY 2019 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies |   |                 |   |
| H  | Projected Annual percentage trend for July 2020   | 3.87%           | Average Change from CY 2013 to CY 2020                  |
| I  | Projected Prior Year Revisions of the Annual Percentage Trend                                     | -0.05%          | Median Change from CY 2013 to CY 2020                   |
| J  | Projected Annual Percentage Increase in Average Per Capita Aggregate Part D Expenditures for 2020 | 3.83%           | $(1 + \text{Row H}) \times (1 + \text{Row I}) - 1$      |
| K  | <b>FINAL Percentage Change in Rate Prior to Applying Phasedown for CY 2023</b>                    | <b>3.83%</b>    | Row G + Row H   |
| L  | CY 2022 PMPM Rate Prior to FMAP and Phasedown   | \$496.17        | Table 3.3 Row M   |
| M  | Projected CY 2023 PMPM Rate Prior to FMAP and Phasedown   | \$515.17        | Row L × (1 + Row K)                                     |
| N  | Projected FFY 23 FMAP State Share   | 50.00%          | Estimated FFY 23 FMAP is 50.00%                         |
| O  | Projected CY 2023 PMPM Rate Prior to Phasedown  | \$257.59        | Row M × Row N   |
| P  | Ongoing Phasedown Percentage Rate   | 75.00%          | Statutory rate : Sec. 1935. (C) (5) [42 U.S.C. 1396u-5] |
| Q  | <b>Estimated CY 2023 PMPM Rate (January through December 2022 with 50.00% FMAP)</b>               | <b>\$193.19</b> | Row O × Row P   |

Source: Centers for Medicare and Medicaid Services (CMS), 2011 thru 2015 NHE estimates; and Announcements of CY 2021 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies, Attachment V, Table V-1.

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

| <b>Table 4.1</b>                    |                                     |                                 |
|-------------------------------------|-------------------------------------|---------------------------------|
| <b>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                             | 62,542                          |
| % Change from FY 2012-13            | 8.30%                               | 0.00%                           |
| <b>FY 2014-15</b>                   | 865,253                             | 72,104                          |
| % Change from FY 2013-14            | 6.45%                               | 15.29%                          |
| <b>FY 2015-16</b>                   | 877,707                             | 73,142                          |
| % Change from FY 2014-15            | 1.44%                               | 1.44%                           |
| <b>FY 2016-17</b>                   | 882,749                             | 73,562                          |
| % Change from FY 2015-16            | 0.57%                               | 0.57%                           |
| <b>FY 2017-18</b>                   | 897,632                             | 74,803                          |
| % Change from FY 2016-17            | 1.69%                               | 1.69%                           |
| <b>FY 2018-19</b>                   | 919,107                             | 76,592                          |
| % Change from FY 2017-18            | 2.39%                               | 1.69%                           |
| <b>FY 2019-20</b>                   | 959,778                             | 80,004                          |
| % Change from FY 2018-19            | 4.43%                               | 2.39%                           |
| <b>FY 2020-21 Projection</b>        | 1,036,520                           | 86,374                          |
| % Change from FY 2019-20            | 8.00%                               | 7.96%                           |
| <b>FY 2021-22 Projection</b>        | 1,047,528                           | 87,294                          |
| % Change from FY 2020-21 Projection | 1.06%                               | 1.07%                           |
| <b>FY 2022-23 Projection</b>        | 1,065,515                           | 87,149                          |
| % Change from FY 2021-22 Projection | 1.72%                               | -0.17%                          |

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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>                         | 649,533                             | 54,128                          |
| % Change from FY 2007-08                  | 2.98%                               | 2.98%                           |
| <b>FY 2009-10</b>                         | 665,732                             | 55,478                          |
| % Change from FY 2008-09                  | 2.49%                               | 2.49%                           |
| <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>                         | 803,259                             | 66,938                          |
| % Change from FY 2012-13                  | 6.05%                               | 6.05%                           |
| <b>FY 2014-15</b>                         | 860,591                             | 71,716                          |
| % Change from FY 2013-14                  | 7.14%                               | 7.14%                           |
| <b>FY 2015-16</b>                         | 864,799                             | 72,067                          |
| % Change from FY 2014-15                  | 0.49%                               | 0.49%                           |
| <b>FY 2016-17</b>                         | 890,604                             | 74,217                          |
| % Change from FY 2015-16                  | 2.98%                               | 2.98%                           |
| <b>FY 2017-18</b>                         | 915,636                             | 76,303                          |
| % Change from FY 2016-17                  | 2.81%                               | 2.81%                           |
| <b>FY 2018-19</b>                         | 931,908                             | 77,659                          |
| % Change from FY 2017-18                  | 1.78%                               | 1.78%                           |
| <b>FY 2019-20</b>                         | 964,574                             | 80,381                          |
| % Change from FY 2018-19                  | 3.51%                               | 3.51%                           |
| <b>FY 2020-21 Projection</b>              | 1,042,089                           | 86,841                          |
| % Change from FY 2019-20                  | 8.04%                               | 8.04%                           |
| <b>FY 2021-22 Projection</b>              | 1,047,786                           | 87,315                          |
| % Change from FY 2020-21 Projection       | 0.55%                               | 0.55%                           |
| <b>FY 2022-23 Projection</b>              | 1,065,815                           | 88,818                          |
| % Change from FY 2021-22 Projection       | 1.72%                               | 1.72%                           |

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Appendix A: Calculations and Assumptions

| <b>Table 4.3</b>   |                        |             |             |                 |
|--|------------------------|-------------|-------------|-----------------|
| <b>Summary of PMPM Rates by Calendar Year (CY) with FMAP Adjustments</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          | \$158.91    | 50.02%      | Actual CMS      |
| H  | Oct-Dec 2017           | \$158.97    | 50.00%      | Actual CMS      |
| <b>CY 2018</b>   |                        |             |             |                 |
| I  | Jan-Dec 2018           | \$160.92    | 50.00%      | Actual CMS      |
| J  | Oct-Dec 2018           | \$160.92    | 50.00%      | Actual CMS      |
| <b>CY 2019</b>   |                        |             |             |                 |
| K  | Jan-Dec 2019           | \$164.04    | 50.00%      | Actual CMS      |
| <b>CY 2020</b>   |                        |             |             |                 |
| L  | Estimated Jan-Dec 2020 | \$151.18    | 56.20%      | Actual CMS      |
| <b>CY 2021</b>   |                        |             |             |                 |
| M  | Estimated Jan-Mar 2021 | \$156.98    | 56.20%      | Table 3.2 Row Q |
| N  | Estimated Apr-Dec 2021 | \$179.20    | 50.00%      | Table 3.2 Row R |
| <b>CY 2022</b>   |                        |             |             |                 |
| O  | Estimated Jan-Dec 2022 | \$186.06    | 50.00%      | Table 3.3 Row Q |
| <b>CY 2023</b>   |                        |             |             |                 |
| P  | Estimated Jan-Dec 2023 | \$193.19    | 50.00%      | Table 3.4 Row Q |

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Appendix A: Calculations and Assumptions

| <b>Table 4.4</b>                   |          |          |          |          |                      |
|------------------------------------|----------|----------|----------|----------|----------------------|
| <b>Quarterly PMPM Rate History</b> |          |          |          |          |                      |
| Item                               | Q1       | Q2       | Q3       | Q4       | Average<br>PMPM Rate |
| <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</b>                     | \$158.91 | \$158.91 | \$158.91 | \$158.97 | <b>\$158.93</b>      |
| % Change from CY 2016              |          |          |          |          | 13.13%               |
| <b>CY 2018</b>                     | \$160.92 | \$160.92 | \$160.92 | \$160.92 | <b>\$160.92</b>      |
| % Change from CY 2017              |          |          |          |          | 1.26%                |
| <b>CY 2019</b>                     | \$164.04 | \$164.04 | \$164.04 | \$164.04 | <b>\$164.04</b>      |
| % Change from CY 2018              |          |          |          |          | 1.94%                |
| <b>CY 2020</b>                     | \$151.18 | \$151.18 | \$151.18 | \$151.18 | <b>\$151.18</b>      |
| % Change from CY 2019              |          |          |          |          | -7.84%               |
| <b>CY 2021 Projection</b>          | \$156.98 | \$179.20 | \$179.20 | \$179.20 | <b>\$173.65</b>      |
| % Change from CY 2020              |          |          |          |          | 14.86%               |
| <b>CY 2022 Projection</b>          | \$186.06 | \$186.06 | \$186.06 | \$186.06 | <b>\$186.06</b>      |
| % Change from CY 2021 Projection   |          |          |          |          | 7.15%                |
| <b>CY 2023 Projection</b>          | \$193.19 | \$193.19 | \$193.19 | \$193.19 | <b>\$193.19</b>      |
| % Change from CY 2022 Projection   |          |          |          |          | 3.83%                |