



THE KAISER COMMISSION ON
Medicaid and the Uninsured

Formula for Determining Monthly State Clawback Payments

Monthly State Payment	:	1/12	X	Per Capita Expenditures (PCE)	X	Dual Eligibles (DE)	X	Phase-Down Percentage (PDP)
				State share of per capita Medicaid expenditures on prescription drugs covered under Part D for dual eligibles during 2003, trended forward		Number of dual eligibles enrolled in a Medicare Part D plan in the month for which payment is made		Phase-down percentage for the year specified in the statute (e.g., 90% in 2006)

PER CAPITA EXPENDITURES (PCE): The per capita expenditure amount is the state share of a state’s Medicaid per capita spending for covered Part D drugs for dual eligibles in calendar year 2003, increased by the average annual percent increase in total prescription drug spending nationally, for all populations, since 2003 (currently projected at 12.9% for 2003-2004, 12.4% for 2004-2005, and 12.1% for 2005-2006). The state share is based on the state’s federal matching rate for the month in which the payment is due. In calculating the state Medicaid per capita expenditures for prescription drugs for dual eligibles in calendar year 2003, the Secretary must include pharmacist dispensing fees, adjust for manufacturer rebates, and exclude any expenditures for drugs not covered under Part D. In the case of states that enrolled dual eligibles in Medicaid managed care plans, the Secretary must estimate the actuarial value of prescription drug benefits provided to dual eligibles under such capitated arrangements.

DUAL ELIGIBLES (DE): The number of dual eligibles for the month is the number of Medicare beneficiaries who (1) are enrolled in a Part D plan or in an Medicare Advantage plan that offers prescription drug coverage (MA-PD) and (2) have been determined by the state to be eligible for full Medicaid benefits, not just subsidies for Medicare premiums and cost-sharing.

PHASE-DOWN PERCENTAGE (PDP): The phase-down percentage for each year is set forth in the statute. It declines from 90 percent in calendar year 2006 to 75 percent in calendar year 2015 and thereafter.

SOURCE: Schneider, A., *The “Clawback:” State Financing of Medicare Drug Coverage*, Kaiser Commission on Medicaid and the Uninsured, June 2004.