

**DHS BUDGET REQUEST FOR FY 2016-2017**  
(\$ Amounts in Thousands)

Page # of Governor's Executive Budget:  
Pp. E30.5, E30.16

**APPROPRIATION:**  
Payment to Federal Govt. - Medicare Drug Program

**I. SUMMARY FINANCIAL DATA**

	<u>2014-2015 Actual</u>	<u>2015-2016 Available</u>	<u>2016-2017 Budgeted</u>
State Funds	\$535,074	\$578,018	\$629,343
Federal Funds	\$0	\$0	\$0
Other Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total</b>	<b>\$535,074</b>	<b>\$578,018</b>	<b>\$629,343</b>

**IA. REQUESTED SUPPLEMENTALS (Included above)**

State Funds	\$0
Federal Funds	<u>\$0</u>
<b>Total</b>	<b>\$0</b>

ii. DETAIL BY MAJOR OBJECT (\$ Amounts in Thousands)		APPROPRIATION: Payment to Federal Govt. - Medicare Drug Program			
	2014-2015 Actual	2015-2016 Available	2016-2017 Budgeted	Change Budgeted vs. Available	Percent Change
<b>PERSONNEL</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Personnel</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>OPERATING</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Operating</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>FIXED ASSETS</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Fixed Assets</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>GRANT &amp; SUBSIDY</b>					
State Funds	\$535,074	\$578,018	\$629,343	\$51,325	8.88%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Grant &amp; Subsidy</b>	<b>\$535,074</b>	<b>\$578,018</b>	<b>\$629,343</b>	<b>\$51,325</b>	<b>8.88%</b>
<b>NONEXPENSE</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Nonexpense</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>BUDGETARY RESERVE</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Budgetary Reserve</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>UNCOMMITTED</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Uncommitted</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>OTHER</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Other</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>TOTAL FUNDS</b>					
State Funds	\$535,074	\$578,018	\$629,343	\$51,325	8.88%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Funds</b>	<b>\$535,074</b>	<b>\$578,018</b>	<b>\$629,343</b>	<b>\$51,325</b>	<b>8.88%</b>

**APPROPRIATION:**

Payment to Federal Govt. - Medicare Drug Program

III. HISTORY OF LAPSES (\$ Amounts in Thousands)	2013-2014	2014-2015	2015-2016 Estimated
State Funds	\$0	\$0	\$0

IV. COMPLEMENT INFORMATION	12/31/2014	12/31/2015	2016-2017 Budgeted
<b>State/Federally Funded</b>			
<i>Authorized</i>	N/A	N/A	N/A
<i>Filled</i>	N/A	N/A	N/A
<b>Federally Funded</b>			
<i>Authorized</i>	N/A	N/A	N/A
<i>Filled</i>	N/A	N/A	N/A
<b>Other Funded</b>			
<i>Authorized</i>	N/A	N/A	N/A
<i>Filled</i>	N/A	N/A	N/A
<b>Total</b>			
<i>Authorized</i>	N/A	N/A	N/A
<i>Filled</i>	N/A	N/A	N/A
<b>Benefit Rate</b>	N/A	N/A	N/A

**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS / DISBURSEMENT CRITERIA****Derivation of Request:**

The recommended appropriation is based on the projected number of individuals per month who are dually-eligible for both Medicaid and Medicare multiplied by the State share of the State specific per capita, per month expenditure for covered drugs for dual-eligible persons.

**Legislative Citations:**

Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA, Pub.L. 108-173)

**Disbursement Criteria:**

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 created the Medicare Part D prescription drug benefit effective, January 1, 2006. The Federal government is requiring states to help fund this Federal program.

This payment is made monthly to the Federal government to reduce the Part D costs. The State payment for each month is the product of the State's per capita expenditure (PCE), the phase down percentage and the number of dual-eligibles who are enrolled in the Part D program. The PCE is based on historical State specific Medicaid data increased for growth in prescription drug spending nationally and adjusted for the State's Federal Medical Assistance Percentage. The phase down percentage was set at 90 percent in Calendar Year 2006 and decreased annually by 1.67 percent until the phase down reached 75 percent in Calendar Year 2015. The Federal government annually notifies the States of their PCE for the forthcoming year.

**VI. EXPLANATION OF CHANGES**  
 (\$ Amounts in Thousands)

**APPROPRIATION:**  
 Payment to Federal Govt. - Medicare Drug Program

	<u>State \$</u>	<u>Federal \$</u>	<u>Other \$</u>	<u>Total \$</u>
<b>GRANT &amp; SUBSIDY</b>				
1. Provides for the increase in the average per capita payment from \$137.76 in Fiscal Year 2015-2016 to \$148.20 in Fiscal Year 2016-2017:	\$44,326	\$0	\$0	\$44,326
2. Impact of the increase in utilization from projected average monthly eligibles of 349,650 in Fiscal Year 2015-2016 to 353,884 in Fiscal Year 2016-2017:	<u>\$6,999</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,999</u>
<b>TOTAL</b>	<u><u>\$51,325</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$51,325</u></u>

**Payment to Federal Government - Medicare Drug Program  
Fiscal Year 2016-2017 Governor's Executive Budget  
Fiscal Year 2015-2016**

Service Month		Dual eligibles	Per Capita	Premium Payment	Payment Month
May-15	actual	347,815	\$132.92	\$46,233,246	Jul-15
Jun-15	actual	347,341	\$132.93	\$46,171,921	Jul-15
Jul-15	actual	348,768	\$132.93	\$46,361,556	Aug-15
Aug-15	actual	349,624	\$132.93	\$46,476,625	Sep-15
Sep-15	actual	349,382	\$132.93	\$46,444,316	Oct-15
Oct-15	actual	350,649	\$132.42	\$46,432,387	Nov-15
Nov-15	projected	351,774	\$132.41	\$46,579,588	Dec-15
Dec-15	projected	349,966	\$132.41	\$46,338,042	Jan-16
Jan-16	projected	349,670	\$147.79	\$51,678,234	Feb-16
Feb-16	projected	349,702	\$147.79	\$51,683,040	Mar-16
Mar-16	projected	350,072	\$147.79	\$51,737,660	Apr-16
Apr-16	projected	351,042	\$147.79	\$51,881,112	May-16
<b>FY15-16 Funds</b>		<b>4,195,805</b>	<b>\$137.76</b>	<b>\$578,017,725</b>	
<b>FY 15-16 Funds Rolled Back to FY 14-15</b>				<b>(\$275)</b>	
<b>Total FY 15-16 Program Requirement</b>				<b>\$578,018,000</b>	
<b>Act 10-A of 2015</b>				<b>\$578,018,000</b>	
<b>Surplus/(Deficit)</b>				<b>\$0</b>	

**Payment to Federal Government - Medicare Drug Program  
Fiscal Year 2016-2017 Governor's Executive Budget  
Fiscal Year 2016-2017**

Service Month		Dual eligibles	Per Capita	Premium Payment	Payment Month
May-16	projected	351,814	\$147.79	\$51,995,162	Jul-14
Jun-16	projected	352,187	\$147.79	\$52,050,253	Jul-14
Jul-16	projected	352,561	\$147.79	\$52,105,503	Aug-14
Aug-16	projected	352,936	\$147.79	\$52,160,911	Sep-14
Sep-16	projected	353,312	\$147.79	\$52,216,479	Oct-14
Oct-16	projected	353,689	\$148.49	\$52,518,529	Nov-14
Nov-16	projected	354,067	\$148.49	\$52,574,681	Dec-14
Dec-16	projected	354,446	\$148.49	\$52,630,995	Jan-15
Jan-17	projected	354,826	\$148.49	\$52,687,471	Feb-15
Feb-17	projected	355,208	\$148.49	\$52,744,111	Mar-15
Mar-17	projected	355,590	\$148.49	\$52,800,915	Apr-15
Apr-17	projected	355,974	\$148.49	\$52,857,884	May-15
<b>Total FY16-17 Program Requirement</b>		<b>4,246,610</b>	<b>\$148.20</b>	<b>\$629,342,894</b>	

## **PAYMENT TO FEDERAL GOVERNMENT - MEDICARE DRUG PROGRAM**

### **PROGRAM STATEMENT**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA, Public Law 108-173) created the Medicare Part D prescription drug benefit, effective January 1, 2006. A number of the Part D beneficiaries are eligible for both Medicare and Medicaid. Prior to implementation of Part D, persons in Pennsylvania eligible for both Medicaid and Medicare had their drug benefit covered by Medical Assistance, Pennsylvania's Medicaid program. Thus, when Part D was developed, a provision was included in the MMA requiring the states to continue making payments for prescription drug coverage for dual eligibles, and continue providing direct coverage of drugs excluded from coverage under Medicare Part D, but covered under the state Medicaid program.

The State payment is made on a monthly basis and was designed to reflect 90 percent of the estimated State savings to the Medical Assistance Program for calendar year 2006. This percentage was phased down by 1.67 percent annually until reaching 75 percent in 2015. The Centers for Medicare and Medicaid Services (CMS) worked with the states to collect historical prescription drug payment data to develop a state-specific Per Capita Expenditure (PCE). Annually, the PCE is adjusted for growth in national per capita drug spending and adjusted for the annual change in the state-specific Federal Medical Assistance Percentage, to reflect the State share of the per capita costs. The CMS notifies the States annually of the PCE for the forthcoming calendar year. The Commonwealth's monthly Part D payment is the product of the PCE, the phase-down percentage and the number of individuals who were eligible for both Medicare and Medicaid in the month for which the payment is being made.