# H.R.1

**Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Enrolled as Agreed to or Passed by Both House and Senate)**

## SEC. 103. MEDICAID AMENDMENTS.

(a) DETERMINATIONS OF ELIGIBILITY FOR LOW-INCOME SUBSIDIES-
(1) REQUIREMENT- Section 1902(a) (42 U.S.C. 1396a(a)) is amended--
(A) by striking `and' at the end of paragraph (64);
(B) by striking the period at the end of paragraph (65) and inserting `; and'; and
(C) by inserting after paragraph (65) the following new paragraph:
`(66) provide for making eligibility determinations under section 1935(a).'.
(2) NEW SECTION- Title XIX is further amended--
(A) by redesignating section 1935 as section 1936; and
(B) by inserting after section 1934 the following new section:

# `SPECIAL PROVISIONS RELATING TO MEDICARE PRESCRIPTION DRUG BENEFIT

`SEC. 1935. (a) REQUIREMENTS RELATING TO MEDICARE PRESCRIPTION DRUG LOW-INCOME SUBSIDIES AND MEDICARE TRANSITIONAL PRESCRIPTION DRUG ASSISTANCE- As a condition of its State plan under this title under section 1902(a)(66) and receipt of any Federal financial assistance under section 1903(a), a State shall do the following:
`(1) INFORMATION FOR TRANSITIONAL PRESCRIPTION DRUG ASSISTANCE VERIFICATION- The State shall provide the Secretary with information to carry out section 1860D-31(f)(3)(B)(i).
`(2) ELIGIBILITY DETERMINATIONS FOR LOW-INCOME SUBSIDIES- The State shall--
`(A) make determinations of eligibility for premium and cost-sharing subsidies under and in accordance with section 1860D-14;
`(B) inform the Secretary of such determinations in cases in which such eligibility is established; and
`(C) otherwise provide the Secretary with such information as may be required to carry out part D, other than subpart 4, of title XVIII (including section 1860D-14).
`(3) SCREENING FOR ELIGIBILITY, AND ENROLLMENT OF, BENEFICIARIES FOR MEDICARE COST-SHARING- As part of

making an eligibility determination required under paragraph (2) for an individual, the State shall make a determination of the individual's eligibility for medical assistance for any medicare cost-sharing described in section 1905(p)(3) and, if the individual is eligible for any such medicare cost-sharing, offer enrollment to the individual under the State plan (or under a waiver of such plan).

`(b) REGULAR FEDERAL SUBSIDY OF ADMINISTRATIVE COSTS- The amounts expended by a State in carrying out subsection (a) are expenditures reimbursable under the appropriate paragraph of section 1903(a).'.

(b) PHASED-IN FEDERAL ASSUMPTION OF MEDICAID RESPONSIBILITY FOR PREMIUM AND COST-SHARING SUBSIDIES FOR DUALLY ELIGIBLE INDIVIDUALS- Section 1935, as inserted by subsection (a)(2), is amended by adding at the end the following new subsection:

`(c) FEDERAL ASSUMPTION OF MEDICAID PRESCRIPTION DRUG COSTS FOR DUALLY ELIGIBLE INDIVIDUALS-

`(1) PHASED-DOWN STATE CONTRIBUTION-

`(A) IN GENERAL- Each of the 50 States and the District of Columbia for each month beginning with January 2006 shall provide for payment under this subsection to the Secretary of the product of--

`(i) the amount computed under paragraph (2)(A) for the State and month;

`(ii) the total number of full-benefit dual eligible individuals (as defined in paragraph (6)) for such State and month; and

`(iii) the factor for the month specified in paragraph (5).

`(B) FORM AND MANNER OF PAYMENT- Payment under subparagraph (A) shall be made in a manner specified by the Secretary that is similar to the manner in which State payments are made under an agreement entered into under section 1843, except that all such payments shall be deposited into the Medicare Prescription Drug Account in the Federal Supplementary Medical Insurance Trust Fund.

`(C) COMPLIANCE- If a State fails to pay to the Secretary an amount required under subparagraph (A), interest shall accrue on such amount at the rate provided under section 1903(d)(5). The amount so owed and applicable interest shall be immediately offset against amounts otherwise payable to the State under section 1903(a), in accordance with the Federal Claims Collection Act of 1996 and applicable regulations.

`(D) DATA MATCH- The Secretary shall perform such periodic data matches as may be necessary to identify and compute the number of full-benefit dual eligible individuals for purposes of computing the amount under subparagraph (A).

`(2) AMOUNT-

`(A) IN GENERAL- The amount computed under this paragraph for a State described in paragraph (1) and for a month in a year is equal to--

`(i) 1/12 of the product of--

`(I) the base year State medicaid per capita expenditures for covered part D drugs for full-benefit dual eligible individuals (as computed under paragraph (3)); and

`(II) a proportion equal to 100 percent minus the Federal medical assistance percentage (as defined in section 1905(b)) applicable to the State for the fiscal year in which the month occurs; and

`(ii) increased for each year (beginning with 2004 up to and including the year involved) by the applicable growth factor specified in paragraph (4) for that year.

`(B) NOTICE- The Secretary shall notify each State described in paragraph (1) not later than October 15 before the beginning of each year (beginning with 2006) of the amount computed under subparagraph (A) for the State for that year.

`(3) BASE YEAR STATE MEDICAID PER CAPITA EXPENDITURES FOR COVERED PART D DRUGS FOR FULL-BENEFIT DUAL ELIGIBLE INDIVIDUALS-

`(A) IN GENERAL- For purposes of paragraph (2)(A), the `base year State medicaid per capita expenditures for covered part D drugs for full-benefit dual eligible individuals' for a State is equal to the weighted average (as weighted under subparagraph (C)) of--

`(i) the gross per capita medicaid expenditures for prescription drugs for 2003, determined under subparagraph (B); and

`(ii) the estimated actuarial value of prescription drug benefits provided under a capitated managed care plan per full-benefit dual eligible individual for 2003, as determined using such data as the Secretary determines appropriate.

`(B) GROSS PER CAPITA MEDICAID EXPENDITURES FOR PRESCRIPTION DRUGS-

`(i) IN GENERAL- The gross per capita medicaid expenditures for prescription drugs for 2003 under this subparagraph is equal to the expenditures, including dispensing fees, for the State under this title during 2003 for covered outpatient drugs, determined per full-benefit-dual-eligible-individual for such individuals not receiving medical assistance for such drugs through a medicaid managed care plan.

`(ii) DETERMINATION- In determining the amount under clause (i), the Secretary shall--

`(I) use data from the Medicaid Statistical Information System (MSIS) and other available data;

`(II) exclude expenditures attributable to covered outpatient prescription drugs that are not covered part D drugs (as defined in section 1860D-2(e)); and

`(III) reduce such expenditures by the product of such portion and the adjustment factor (described in clause (iii)).

`(iii) ADJUSTMENT FACTOR- The adjustment factor described in this clause for a State is equal to the ratio for the State for 2003 of--

`(I) aggregate payments under agreements under section 1927; to

`(II) the gross expenditures under this title for covered outpatient drugs referred to in clause (i).

Such factor shall be determined based on information reported by the State in the medicaid financial management reports (form CMS-64) for the 4 quarters of calendar year 2003 and such other data as the Secretary may require.

`(C) WEIGHTED AVERAGE- The weighted average under subparagraph (A) shall be determined taking into account--

`(i) with respect to subparagraph (A)(i), the average number of full-benefit dual eligible individuals in 2003 who are not described in clause (ii); and

`(ii) with respect to subparagraph (A)(ii), the average number of full-benefit dual eligible individuals in such year who received in 2003 medical assistance for covered outpatient drugs through a medicaid managed care plan.

`(4) APPLICABLE GROWTH FACTOR- The applicable growth factor under this paragraph for--

`(A) each of 2004, 2005, and 2006, is the average annual percent change (to that year from the previous year) of the per capita amount of prescription drug expenditures (as determined based on the most recent National Health Expenditure projections for the years involved); and

`(B) a succeeding year, is the annual percentage increase specified in section 1860D-2(b)(6) for the year.

`(5) FACTOR- The factor under this paragraph for a month--

`(A) in 2006 is 90 percent;

`(B) in 2007 is 88 1/3 percent;

`(C) in 2008 is 86 2/3 percent;

`(D) in 2009 is 85 percent;
`(E) in 2010 is 83 1/3 percent;
`(F) in 2011 is 81 2/3 percent;
`(G) in 2012 is 80 percent;
`(H) in 2013 is 78 1/3 percent;
`(I) in 2014 is 76 2/3 percent; or
`(J) after December 2014, is 75 percent.

`(6) FULL-BENEFIT DUAL ELIGIBLE INDIVIDUAL DEFINED-

`(A) IN GENERAL- For purposes of this section, the term `full-benefit dual eligible individual' means for a State for a month an individual who--

`(i) has coverage for the month for covered part D drugs under a prescription drug plan under part D of title XVIII, or under an MA-PD plan under part C of such title; and

`(ii) is determined eligible by the State for medical assistance for full benefits under this title for such month under section 1902(a)(10)(A) or 1902(a)(10)(C), by reason of section 1902(f), or under any other category of eligibility for medical assistance for full benefits under this title, as determined by the Secretary.