
**RE: January – September 2025 Phased-Down
State Contribution Final Per-Capita Rates with
PHE Phase Out**

September 13, 2024

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) requires that the Centers for Medicare & Medicaid Services (CMS) notify each state, no later than October 15 of each calendar year (CY), of its annual per capita full dual-eligible 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 the MMA to be the product of the annual per capita full dual-eligible drug payment expenditure amount and the monthly State enrollment of full-benefit dually eligible beneficiaries.

This Informational Bulletin¹ is to notify you of the annual per capita full dual-eligible drug payment expenditure amount, or “phased-down State contribution per capita rates” for the time period of January – September 2025. The January – September phased-down State contribution per capita rates are shown in Attachments 1, 2, and 3. The per capita drug expenditure amount for January – September 2025 is based on the following adjustments:

1. The value is adjusted by the annual percentage increase (API) in per capita Part D expenditures for the 2025 contract year (8.58 percent).²
2. There is no change in the discount factor for 2024, because the phased-down factor for the previous year and this update year is 75 percent.
3. Based on the effects of the API update and the unchanged phased-down contribution percentage, the net change in the State phased-down per capita drug payment amount for calendar year 2025 is 8.58 percent. Details are described in Attachment 3, provided by the CMS Office of the Actuary.

The American Rescue Plan Act of 2021 (P. L. 117-2) was signed into law on March 11, 2021. Section 9814 of the Act provided a temporary FMAP increase of 5 percentage points to states

¹ For distribution request of this letter please go to Medicaid.gov, select “Sign-up for Website and Program Update” then select the “CMCS Informational Bulletin” Subscription topic.

² “Announcement of Calendar Year 2024 Medicare Advantages Capitation Rates and Part C and Part D Payment Policies,” March 31, 2023. <https://www.cms.gov/files/document/2024-announcement-pdf.pdf>.

that expanded Medicaid eligibility to all individuals described in section 1902(a)(10)(A)(i)(VIII) under the State plan or waiver of such plan. This FMAP increase would last for 8 calendar year quarters and would only apply for states that expand eligibility after the enactment of the Act. At this time, two states qualify for this FMAP increase (South Dakota and North Carolina). The state contribution rates adjusted for this FMAP increase for these states are shown in Attachment 2. South Dakota will have this adjustment through the end of June 2025. North Carolina will have this adjustment through the end of September 2025.

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For inquiries regarding the Part D per capita rate calculations:

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Sincerely,

/s/

Sara Vitolo
Deputy Director
Center for Medicaid & CHIP Services

ATTACHMENT 1: Phased-Down State Contribution Rates for January – September 2025

State	State Name	January – June 2025 Rates	July – September 2025 Rates
AL	Alabama	100.80	100.80
AK	Alaska	260.78	260.78
AZ	Arizona	97.01	97.01
AR	Arkansas	98.10	98.10
CA	California	181.87	181.87
CO	Colorado	234.33	234.33
CT	Connecticut	288.29	288.29
DE	Delaware	184.16	184.16
DC	District of Columbia	103.40	103.40
FL	Florida	215.45	215.45
GA	Georgia	141.58	141.58
HI	Hawaii	137.21	137.21
ID	Idaho	168.11	168.11
IL	Illinois	229.06	229.06
IN	Indiana	170.52	170.52
IA	Iowa	182.79	182.79
KS	Kansas	187.36	187.36
KY	Kentucky	133.06	133.06
LA	Louisiana	147.36	147.36
ME	Maine	155.83	155.83
MD	Maryland	246.27	246.27
MA	Massachusetts	193.04	193.04
MI	Michigan	121.76	121.76
MN	Minnesota	232.18	232.18
MS	Mississippi	83.63	83.63
MO	Missouri	201.75	201.75
MT	Montana	177.63	177.63
NE	Nebraska	209.26	209.26
NV	Nevada	177.46	177.46
NH	New Hampshire	273.77	273.77
NJ	New Jersey	294.55	294.55
NM	New Mexico	90.48	90.48
NY	New York	217.18	217.18
NC	North Carolina	144.71	144.71
ND	North Dakota	202.53	202.53
OH	Ohio	207.38	207.38
OK	Oklahoma	117.71	117.71
OR	Oregon	197.22	197.22
PA	Pennsylvania	228.19	228.19
RI	Rhode Island	204.64	204.64
SC	South Carolina	100.83	100.83
SD	South Dakota	201.38	225.40
TN	Tennessee	189.46	189.46
TX	Texas	147.07	147.07
UT	Utah	195.59	195.59
VT	Vermont	188.06	188.06
VA	Virginia	243.11	243.11
WA	Washington	234.79	234.79

WV	West Virginia	114.21	114.21
WI	Wisconsin	192.84	192.84
WY	Wyoming	259.22	259.22

ATTACHMENT 2: Phased-Down State Contribution Rates Adjusted for American Rescue Plan Act Section 9814 for January – September 2025

State	State Name	January – September 2025 Rates with FMAP increase	January – September 2025 Rates without FMAP increase
NC	North Carolina	144.71	168.88
SD	South Dakota	201.38	225.40

ATTACHMENT 3: Phased-Down State Contribution to Part D Annual Rates Update for Calendar Year 2025

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) requires CMS to calculate the payment rates for the Phased-Down State Contribution (PDSC) to Part D each year using the latest available National Health Expenditure (NHE) estimates of per capita drug expenditure growth for the period 2003 to 2006, combined with the annual percentage increase (API) in average per capita aggregate Part D expenditures for 2007 and later years, as defined in section 1860D-2(b)(6) of the Social Security Act. As announced on April 1, 2024, the API for 2025 is 8.58 percent.³

The 2025 API includes an adjustment for revisions to the 2018 through 2023 percentage increases, based on subsequent data and projections, as described in the April 1st, 2024 announcement. Since the MMA requires use of the latest NHE estimates for 2003 through 2006, the 2025 PDSC rates must also be adjusted for updates, if any, to estimates of per capita prescription drug expenditure growth for the period 2003 to 2006 that have occurred since the promulgation of the 2024 rates. There are no changes in the December 2023 NHE estimates, and the cumulative growth rate remained at 23.44 percent for this period.⁴ As a result, the 2025 PDSC rates include no adjustment to account for the revised NHE per capita trends.

The PDSC payment rates include a discount factor (the “factor for the month” specified in section 1935(c)(5)), which is 75 percent in 2015 and subsequent years. Consequently, there is no change in the discount factor for 2025, and the net PDSC payment rate will increase by 8.58 percent. The table below summarizes these calculations.

2025 Phased-down State Contribution Payment Rate Increase

Annual Percentage Increase for 2024	8.58%
Adjustment for updated 2003-2006 growth	0.00%
2025 PDSC payment rate increase	8.58%

Office of the Actuary
July 25th, 2024

³ See table V-1 of “Announcement of Calendar Year 2025 Medicare Advantages Capitation Rates and Part C and Part D Payment Policies,” April 1, 2024. <https://www.cms.gov/files/document/2025-announcement.pdf>. Details of the API calculation are contained in Attachment V.

⁴ The current per capita estimates are \$620 for 2003 and \$766 for 2006. These can be found in the NHE tables at <https://www.cms.gov/files/zip/nhe-tables.zip>. See Table 02.