

**U.S. House and Senate Notification**  
**Thursday, February 18, 2010**

**To: Congressional Health Staff**

**From: Amy Hall**  
**Director, Office of Legislation**  
**Centers for Medicare & Medicaid Services**

**Subject: HHS Announces Relief to States on Payments to Medicare for Part D Costs**

Today, the Secretary for Health and Human Services is announcing \$4.3 billion in financial relief to states by reducing the amount they will have to pay the federal government to offset the cost of Medicare coverage for prescription drugs for state residents eligible for both Medicare and Medicaid.

Prior to passage of the Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA), states had borne the cost of drugs for their residents who were qualified for both Medicare and Medicaid. Under the MMA, however, drug costs for dually eligible residents were assumed by the Medicare Part D prescription drug program. To help offset this added federal cost, states were required to make payments to Medicare in gradually decreasing percentages. This payment is generally referred to as the “clawback.”

Today’s announcement will reduce states’ clawback payments by applying the temporary increase in the federal medical assistance percentage matching rate, or FMAP, that was included in the American Recovery and Reinvestment Act of 2009 (ARRA) to clawback payments. Because Medicaid is a state/federal matching program, the higher FMAP under ARRA results in a temporary reduction of the states’ share of spending and therefore in their clawback obligation.

The increase in FMAP payments under ARRA is effective for the period October 1, 2008 through December 31, 2010. The reduction in the clawback obligation being announced today will therefore be calculated retroactive to the October start date of the increased ARRA FMAP. CMS is currently reprogramming its billing system to calculate the new, reduced payments owed by states. The savings will be deducted from what states otherwise would have owed going forward.

A link to the Secretary’s press release, including state-by-state savings, will be posted here: <http://www.hhs.gov/news/>.

If you have any questions about this announcement, please contact the CMS Office of Legislation. Thank you.