

**RE: January – September 2026 Phased-Down
State Contribution Final Per-Capita Rates with
PHE Phase Out**

September 30, 2025

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

This Informational Bulletin¹ is to notify you of the phased-down state contribution full dual-eligible per capita Medicaid drug payment amount for the time period of January – September 2026. The January – September phased-down state contribution per capita rates are shown in Attachments 1 and 2. The per capita drug expenditure amount for January – September 2026 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 2026 contract year (4.27 percent).²
2. There is no change in the discount factor for 2026, 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 4.27 percent. Details are described in Attachment 2, provided by the CMS Office of the Actuary.

For inquiries regarding data reporting and dual eligibility, please contact:

- MMCO_MMA@cms.hhs.gov

For inquiries regarding SPD Billing Procedures and System-related inquiries, please contact:

- Keith.Johnson@cms.hhs.gov and Fanta.Bowman@cms.hhs.gov
- Phyllis.Martin@cms.hhs.gov and DMEPSDBSSStaff@cms.hhs.gov

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 2026 Medicare Advantages Capitation Rates and Part C and Part D Payment Policies,” April 7, 2025. <https://www.cms.gov/files/document/2026-announcement.pdf>

For inquiries regarding the Part D per capita rate calculations:

- Christopher.Truffer@cms.hhs.gov
- Eric.Eckstein1@cms.hhs.gov

Sincerely,

/s/

Rory Howe
Director

ATTACHMENT 1: Phased-Down State Contribution Rates for January – September 2026

State	State Name	January – September 2026 Rates
AL	Alabama	105.92
AK	Alaska	266.98
AZ	Arizona	102.73
AR	Arkansas	109.06
CA	California	189.63
CO	Colorado	244.34
CT	Connecticut	300.60
DE	Delaware	195.59
DC	District of Columbia	107.81
FL	Florida	224.39
GA	Georgia	146.06
HI	Hawaii	140.97
ID	Idaho	178.96
IL	Illinois	236.68
IN	Indiana	178.61
IA	Iowa	193.45
KS	Kansas	201.51
KY	Kentucky	139.08
LA	Louisiana	154.76
ME	Maine	165.78
MD	Maryland	256.78
MA	Massachusetts	201.28
MI	Michigan	126.35
MN	Minnesota	244.47
MS	Mississippi	87.20
MO	Missouri	215.64
MT	Montana	189.64
NE	Nebraska	226.31
NV	Nevada	186.99
NH	New Hampshire	285.46
NJ	New Jersey	307.13
NM	New Mexico	94.41
NY	New York	226.45
NC	North Carolina	178.31
ND	North Dakota	211.09
OH	Ohio	214.71
OK	Oklahoma	125.01
OR	Oregon	211.91
PA	Pennsylvania	232.79
RI	Rhode Island	207.57
SC	South Carolina	105.62
SD	South Dakota	245.34
TN	Tennessee	201.20
TX	Texas	154.01
UT	Utah	214.82
VT	Vermont	192.25
VA	Virginia	256.60
WA	Washington	244.82
WV	West Virginia	117.36
WI	Wisconsin	199.80
WY	Wyoming	270.29

ATTACHMENT 2: Phased-Down State Contribution to Part D Annual Rates Update for Calendar Year 2026

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 7th, 2025, the API for 2026 is 4.27%.³

The 2026 API includes an adjustment for revisions to the 2017 through 2025 percentage increases, based on subsequent data and projections, as described in the April 7, 2025 announcement. Since the MMA requires use of the latest NHE estimates for 2003 through 2006, the 2026 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 2026 rates. There are no changes in the January 2023 NHE estimates, and the cumulative growth rate remained at 23.44% for this period.⁴ As a result, the 2026 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% in 2015 and subsequent years. Consequently, there is no change in the discount factor for 2026, and the net PDSC payment rate will increase by 4.90%. The table below summarizes these calculations.

2026 Phased-down State Contribution Payment Rate Increase

Annual Percentage Increase for 2026	4.27%
Adjustment for updated 2003-2006 growth	0.00%
2026 PDSC payment rate increase	4.27%

Office of the Actuary
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³ See table V-1 of “Announcement of Calendar Year 2026 Medicare Advantages Capitation Rates and Part C and Part D Payment Policies,” April 7, 2025 <https://www.cms.gov/medicare/payment/medicare-advantage-rates-statistics/announcements-and-documents/2026> and select 2026 announcement. Details of the API calculation are contained in Attachment V.

⁴ The current per capita estimates are \$621 for 2003 and \$766 for 2006. These can be found in the NHE tables at <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/tables.zip>. See Table 02.