

STATE PHASED-DOWN Billing Guide



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BACKGROUND

The Medicare Prescription Drug Improvement and Modernization Act of 2003 (Medicare Modernization Act or MMA) established the Medicare Part D prescription drug benefit effective January 2006. At that time, Medicare became the primary payer for most prescription drugs for full-benefit dually eligible beneficiaries. However, the MMA established the phased-down state contribution process, in which states are responsible for making monthly payments to the Secretary of the Department of Health & Human Services, representing a portion of the expenditures for beneficiaries whose Medicaid drug coverage has been assumed by Medicare Part D.

The statute requires that by October 15, 2005 the Centers for Medicare & Medicaid Services (CMS) provide states with the 2006 per capita drug cost amounts¹, which served as the basis for the calculation of the initial year of the state contribution for the Medicare prescription drug coverage for full-benefit dually eligible beneficiaries enrolled in a Part D plan. CMS trended 2003 costs forward to 2006 using the National Health Expenditures data. In October of each year, CMS notifies states of the state-specific per capita amount for the new federal fiscal year. The rates for each year are posted [here](#).²

The statute and implementing regulations at 42 CFR 423.910 require states to identify to CMS, at least monthly³, all full-benefit and partial-benefit dually eligible beneficiaries. The name for the files on which states submit these data are the state's MMA enrollment files (often called "MMA files" for short).

Starting January 2006, the statute requires each state to make a monthly payment to CMS for each Part D enrolled full-benefit dually eligible beneficiary. The state contribution for each enrolled eligible beneficiary started at 90% of the state's share of the projected drug costs in 2006, and was reduced each subsequent year by equal amounts to 75% of the calculated per capita amount in 2015, where it remains thereafter.

RELATIONSHIP BETWEEN STATE REPORTING AND THE STATE PHASED-DOWN (SPD) CONTRIBUTION AMOUNT

CMS bases the State Phased-down (SPD) contribution amount in part on dual status reported by states on their MMA files. States submit these files at least monthly and include all enrolled dually eligible beneficiaries. CMS identifies the subset who are full-benefit dually eligible beneficiaries, and matches them to the Medicare enrollment database to confirm Medicare eligibility, as well as, enrollment in a Medicare Part D plan. CMS includes those full-benefit dually eligible beneficiaries with Part D plan enrollment in the monthly SPD contribution counts. The amount CMS bills is the product of the number of full-benefit dually eligible beneficiaries enrolled in a Medicare Part D plan multiplied by the per-capita drug cost in effect for the associated billing period.

¹ The statute stipulated the initial year per capita amounts be based on 2003 baseline Medicaid Statistical Information Statistics (MSIS) data.

² <https://www.cms.gov/medicare-medicare-coordination/medicare-medicare-coordination-office/state-phased-down-billing>.

³ Refer to [42 CFR 423.910](#). Starting April 1, 2022, all states submit the required MMA file data to CMS daily.

SPD CONTRIBUTION BILLING

Billing Cycle

CMS calculates the SPD contribution once a month, based on dually eligible enrollment and disenrollment counts from MMA files provided by the state to CMS each month. CMS prepares a Summary Accounting Statement (SAS) for each state's SPD contribution liability. (See Exhibit 1 and 1A.)

CMS mails a hard copy (paper) of the SAS to the states around the 10th of each month, and payment is due the 1st of the following month. For example, the SAS mailed around July 10th reflects the state's contribution to be paid on August 1st.

In addition, soft copies (PDF versions) of all SASs from January 2019 to current year are available online to states with users who are approved to access the CMS Eligibility and Enrollment Medicare Online (ELMO) application that is accessible through the CMS Enterprise Portal (limit two users per state). To request additional information, send an email to DPBCStateBuy-in@cms.hhs.gov with "Request for Information on eBills in ELMO Access" in the subject line.

CMS considers SPD contributions unpaid by the 25th of the month (or the business day prior, if the 25th falls on a federal non-business day) in which they are due as late, assesses interest on the outstanding contribution balance, and collects the assessed interest amount via offset against the state's Medicaid Grant Award.⁴

In addition, CMS considers any outstanding contribution amount not paid in full by the last business day of the month due as past due and collects the outstanding contribution via offset against the state's Medicaid Grant Award as well.


CMS considers SPD contributions paid as of the date the funds are deposited to the Medicare Trust Fund account.



⁴ Please see [section 1935\(c\)\(1\)\(C\) of the Social Security Act](#).

EXHIBIT 1

Explanation of the Summary Accounting Statement (SAS)



CENTERS FOR MEDICARE & MEDICAID SERVICES
SUMMARY ACCOUNTING STATEMENT
BILLING NOTICE

A STATE CONTRIBUTION FOR PRESCRIPTION DRUG BENEFIT

NAME OF ORGANIZATION B	AGENCY CODE C	BILLING PERIOD D	DATE OF BILL E
		APR 2020	05/10/2020

This statement contains billing for items processed through this period only. It does not include remittances or billing for items received too late for processing, or items under investigation. Such items will be included in a later billing.

1. PREVIOUS BALANCE	1	\$382,803,174.07
2. ADJUSTMENTS	2	\$0.00
3. CURRENT MONTH'S LIABILITY-PAYABLE BY	3	\$191,301,128.93 *
4. PAYMENTS RECEIVED RECEIVED 04/23/2020 \$190,836,025.51 CR	4	\$190,836,025.51 CR
5.	5	
6. TOTAL BALANCE	6	\$383,268,277.49

☐ SEE ATTACHMENT (S)

* CURRENT MONTH'S LIABILITY CALCULATED USING DATA ELIGIBILITY FILE.

ENTRIES ON THIS FORM ARE EXPLAINED IN THE STATE PHASED-DOWN BILLING GUIDE. FOLLOWING ARE THE ELECTRONIC FUNDS TRANSFER MEDICARE PREMIUMS AND/OR STATE PHASED-DOWN CONTRIBUTION:

1. THE U.S. DEPARTMENT OF THE TREASURY'S INTERNAL SECURITY PAY.GOV
2. THE U.S. DEPARTMENT OF THE TREASURY'S ELECTRONIC FUNDS TRANSFER, KNOWN AS THE TREASURY FINANCIAL COMMUNITY

SEE THE MANUAL NAMED ABOVE FOR COMPLETE INSTRUCTIONS. FAILURE TO COMPLY WITH THESE INSTRUCTIONS COULD RESULT IN A DELAY OF YOUR PAYMENT.

CENTERS FOR MEDICARE & MEDICAID SERVICES
 7500 SECURITY BOULEVARD
 BALTIMORE, MD 21244

A Medicare Drug Program Name
STATE CONTRIBUTION FOR PRESCRIPTION DRUG BENEFIT

B Name of Organization
State Name

C Agency Code
Three (3) character organization identifier assigned by CMS (See Exhibit 1)

D Billing Period
Month and year of SPD contribution liability coverage. Always one month prior to the Date of Bill.

E Date of Bill
Month, day, and year the bill was generated.

1 Previous Balance
This balance is carried forward from the Total Balance (Line 6) on the previous month's SAS. A credit balance is denoted by "CR".

2 Adjustments
A debit or credit applied to correct the total balance from the prior billing period SAS. If ever used, most likely it is to resolve a previous payment issue that has been identified.

NOTE: If the adjustment is a debit, the amount shown must be paid in addition to the current month's contribution shown in Line 3.

3 Current Month's Liability—Payable By
Contribution amount is due by the 1st of the month following the Date of Bill.

The state's current liability is based on a count of enrollments and disenrollments on the MMA File received one month before the Date of Bill. It **does not** include any debit or credit adjustments shown in Line 2 (i.e., if there is a debit amount in Line 2, it must be paid in addition to the Current Month's Liability).

If an MMA file is not submitted, CMS will calculate the state's monthly SPD contribution liability using data submitted from the state's last MMA file that CMS accepted. Refer to the "See Attachments" section on the SAS for the month/year file.

4 Payments Received
Total of all new payments posted to account in the month prior to the Date of Bill. Multiple payments can be received during the month:

- If more than one payment is received on the same date, the amount will be the sum of all payments received on that date.
- Payments received on different dates will be listed separately.

5 Line 5
Total of unpaid SPD contribution collected via offset to state's Medicaid Grant Award.

6 Total Balance
The cumulative net billing and collection activity at the end of the billing period. This may include billed amounts that have been paid but the payments have not been received and applied.

Always calculated as follows: Line 6 = Lines 1 + 2 + 3 - 4 - 5

EXHIBIT 1A
State Medicaid Agency SPD Billing Codes

Abbr.	State	Billing Code
AL	Alabama	D01
AK	Alaska	D02
AZ	Arizona	D03
AR	Arkansas	D04
CA	California	D05
CO	Colorado	D06
CT	Connecticut	D07
DE	Delaware	D08
DC	Dist. of Columbia	D09
FL	Florida	D10
GA	Georgia	D11
HI	Hawaii	D12
ID	Idaho	D13
IL	Illinois	D14
IN	Indiana	D15
IA	Iowa	D16
KS	Kansa	D17
KY	Kentucky	D18
LA	Louisiana	D19
ME	Maine	D20
MD	Maryland	D21
MA	Massachusetts	D22
MI	Michigan	D23
MN	Minnesota	D24
MS	Mississippi	D25
MO	Missouri	D26

Abbr.	State	Billing Code
MT	Montana	D27
NE	Nebraska	D28
NV	Nevada	D29
NH	New Hampshire	D30
NJ	New Jersey	D31
NM	New Mexico	D32
NY	New York	D33
NC	North Carolina	D34
ND	North Dakota	D35
OH	Ohio	D36
OK	Oklahoma	D37
OR	Oregon	D38
PA	Pennsylvania	D39
RI	Rhode Island	D41
SC	South Carolina	D42
SD	South Dakota	D43
TN	Tennessee	D44
TX	Texas	D45
UT	Utah	D46
VT	Vermont	D47
VA	Virginia	D49
WA	Washington	D50
WV	West Virginia	D51
WI	Wisconsin	D52
WY	Wyoming	D53

Processing of Overpayments

If a state remits a payment that results in an overpayment, that payment appears on the next Summary Accounting Statement (Exhibit 1- SAS) in the Payments Received section (Exhibit 1- Line 4) just the same as a payment that is remitted to pay a liability that is owed. The credit amount is included in the calculation of the ending balance (Exhibit 1- Total Balance - Line 6).

Example: if CMS receives and posts the payment in the calendar month of January, the next billing run occurs in February and generates the next SAS for the Billing Period month as follows:

- March for the State Buy-in (SBI) premiums; and
- January for the State Phased-down (SPD) contribution.

The SAS shows the credit amount only once as the payment and the credit amount is netted in the Total Balance. Thereafter, subsequent SASs do not show the credit amount as a separate line item. The overpayment credit amount is carried in the ending/beginning SAS balances until such a time when the state underpays a Current Month's Liability amount due (Exhibit 1- Line 3 on the SAS).

CMS bills each Current Month's Liability amount due without regard for any overpayment credit amounts that may be on the account and appears separate and apart on each SAS (Exhibit 1- Line 3). Consequently, if the state remits timely payment of the Current Month's Liability amount due, the credit amount remains and continues being carried forward as a component of the ending/beginning SAS balances. If the state does not pay in full the Current Month's Liability amount due, the credit amount that is being carried in the ending/beginning SAS balances in effect is netted against the outstanding amount owed. The credit amount either partially or entirely covers the amount due:

- If the credit amount is equal to the Current Month's Liability amount due, then CMS considers the Current Month's Liability amount fully satisfied and there is no credit amount remaining.
- If the credit amount exceeds the Current Month's Liability amount due, then CMS considers the Current Month's Liability amount due fully satisfied and continues to carry the remaining credit amount in the ending/beginning SAS balances.
- If the credit amount is less than the Current Month's Liability amount due, then there is no credit amount remaining and CMS considers the Current Month's Liability amount due partially satisfied with the remaining liability amount due collected via Medicaid grant offset, if the state does not make any additional partial payment within the month.

A state may contact the CMS Division of Premium Billing (DPB) to confirm whether there is a credit amount on the account and obtain the adjusted (i.e., reduced) Current Month's Liability amount due that should be paid to use the credit amount, if any. Please send inquiries to the CMS DPB State Buy-in resource email at: DPBCStateBuy-in@cms.hhs.gov.

Relationship Between Enrollment Reporting Months and Billing Cycles

CMS bases the bill amount on data derived from the state MMA files submitted two months prior to the due date for the SPD contribution. For example, for the June bill (referenced by the billing period that appears on the SAS), CMS uses June MMA file data, generates the bill in July, and it is payable by the state in August. The July bill uses July MMA file data, is generated in August, and payable in September. This cycle repeats for each monthly billing run.

CMS will adjust any retroactive changes to a prior month's counts on the next bill. For example, retroactive changes for February and March, received on the June MMA files, will be reflected on the June bill that is generated in July, and payable in August.

EXHIBIT 2 Adjustment of Retroactive Changes

BILL CYCLE: JUNE 2020				REPORT DATE
D99 STATE NAME				07/05/2020
SUBTOTAL LIABILITY FROM ENROLLMENT COUNTS \$7,642,184.00				
SUBTOTAL LIABILITY FROM MONTHLY RATE CHANGES \$1,142,707.30				
TOTAL CURRENT LIABILITY CHARGES ON LINE 3 \$8,784,891.30				
SUBTOTAL LIABILITY CHARGES BASED ON ENROLLMENT COUNTS				
BILL CYCLE	ENROLLMENT COUNT	DISENROLLMENT COUNT	RATE	LIABILITY
022020	0	3,859	44.00	\$ 169,796.00 CR
032020	11,098	35,210	44.00	\$1,060,928.00 CR

Billing if No Accepted Enrollment File Received

If CMS does not receive and/or accept an MMA file from a state, CMS will calculate the state's monthly SPD contribution using data submitted from the state's last MMA file that CMS has accepted prior to the billing month. This method of billing may result in CMS billing the state more or less than is ultimately appropriate. The state must submit retroactive dual status transactions in the next state file to establish accurate billing dual status counts.

Request for State Contribution Review

CMS establishes the bill by the appropriate per-capita drug payment amount for the period and the monthly full-benefit dually eligible enrollment reported by the state. The billing procedure provides for adjustments to bills in subsequent months to account for more current, or corrected, enrollment data. A state may take the initiative to address enrollment reporting errors and normal retroactive enrollment accretions and deletions by submitting retroactive correction records in subsequent MMA files. These corrections will result in an adjustment to a subsequent bill. CMS encourages states to make enrollment reporting updates and corrections using this process.

However, if the state disagrees with the amount of this bill for reasons unrelated to the types of adjustments described above, the state may request a review of the billing amount. To request a review of the billing amount, the state may submit a letter, specifying the basis for requesting review, and any supporting documentation to:

Mail:

CMS, OFM, AMG
Division of Premium Billing
Mailstop C3-19-08
7500 Security Boulevard
Baltimore, Maryland 21244-1850

Email:

DPBCStateBuy-in@cms.hhs.gov

Type 'Request for SPDB Amount Review' and <state's name> in the subject line of the email.

CMS must receive a state request for review of the billing amount by the last business day of the month in which the state receives the bill. For example, if the bill is received in July, CMS must receive the state's request by July 31st (or the prior business day, if the 31st is a federal non-business day). CMS will provide written acknowledgement of this request for review by the last business day of the following month. Note that this deadline for review does not preclude the state from seeking adjustments to subsequent bills that are attributable to more accurate information discovered for the period involved in the initial bill.

CMS encourages states requesting a review of their billing amounts to pay the amount billed no later than the end of the grace period (the 25th of the month or the business day prior, if the 25th falls on a federal non-business day) to avoid interest assessment on late contributions and collection of interest and any unpaid contributions via offset against the state's Medicaid Grant Award. CMS will reflect any credit resulting from a requested review on a subsequent bill.

STATE ITEMIZED LIABILITY REPORT

The State Itemized Liability (SIL) Report provides an itemized detail of a state's current liability charges and is included with every billing notice (see Exhibit 3).

The report gives the breakdown of billing information (dual status counts and billing rates) used to calculate the SPD contribution amount.

EXHIBIT 3 State Itemized Liability Report

BILL CYCLE: JUNE 2020			REPORT DATE		
D99 STATE NAME			07/05/2020		
SUBTOTAL LIABILITY FROM ENROLLMENT COUNTS			\$7,642,184.00		
SUBTOTAL LIABILITY FROM MONTHLY RATE CHANGES			\$1,142,707.30		
TOTAL CURRENT LIABILITY CHARGES ON LINE 3			\$8,784,891.30		
SUBTOTAL LIABILITY CHARGES BASED ON ENROLLMENT COUNTS					
BILL	ENROLLMENT	DISENROLLMENT			
CYCLE	COUNT	COUNT	RATE		LIABILITY
022020	0	3,859	44.00		\$ 169,796.00 CR
032020	11,098	35,210	44.00		\$1,060,928.00 CR
062020 CURRENT	201,657	0	44.00		\$8,872,908.00
		SUBTOTAL:			\$7,642,184.00
SUBTOTAL LIABILITY CHARGES FROM MONTHLY RATE CHANGES					
BILL	NET ENRLLMNT	OLD	NEW	ADJ	
CYCLE	BILLED	RATE	RATE	AMOUNT	LIABILITY
032020	211,648	41.10	44.00	2.90	\$613,779.20
042020	182,389	41.10	44.00	2.90	\$528,928.10
			SUBTOTAL:		\$1,142,707.30

OFFSET AGAINST STATE MEDICAID GRANT AWARD

CMS offsets the state's Medicaid Grant Award for the interest assessed on contribution amounts not paid by the end of the grace period (late contributions) and past due contributions (i.e., late contributions not paid by the end of the month).

A subsequent SAS will show the amount of the past due SPD contribution collected through offset. The state's Medicaid Grant Award will also reflect the amount of the offset.

INTEREST ASSESSMENT

CMS assesses interest on SPD contribution liability amounts not paid in full by the end of the grace period (late contributions).

- 1. Interest is Assessed in 30-day Increments** – Interest assessment on late SPD contributions (i.e., SPD contributions unpaid by the end of the grace period in which they are due) begins with the first day of the month and is calculated on a 30-day basis.
- 2. Percentage Rate for Interest** – The interest rate for late contributions is the Supplementary Medical Insurance (SMI) trust fund rate as computed for new investments in accordance with §1841(c) of the Act, 42 U.S.C. 1395t(c).⁵ This rate approximates the actual loss to the SMI trust fund and is derived from the average yield on all marketable obligations to the U.S. Treasury as of the last day of the month.
- 3. State Notification** – The amount of past due SPD contributions (i.e., late SPD contributions still unpaid by the end of the month) collected through offset against the state's Medicaid Grant Award will be reflected on a subsequent SAS.

METHODS STATES MAY USE TO PAY THE SPD CONTRIBUTION

States must use one of the following electronic funds transfer methods to pay the SPD contribution:

- **Fedwire** - The Treasury electronic funds transfer system
- **Pay.gov** - The U.S. Department of the Treasury (Treasury) internet collections application

The following sections describe the procedures for remitting SPD contribution.

⁵[§1841\(c\) of the Act, 42 U.S.C. 1395t\(c\)](#)

FEDWIRE PROCEDURES

Fedwire (formally known as the Fedwire Funds Service) is a real-time funds transfer system operated by the United States Federal Reserve Banks that allows financial institutions to electronically transfer funds between its participants. States electing this option work with their bank to establish it.

When states pay their SPD contribution using Fedwire, the settlement of funds is immediate, final, and irrevocable.

Instructions for Payment of SPD Contributions via Fedwire

Following is critical information needed to successfully transmit a SPD contribution payment to CMS via Fedwire:

Fedwire Field Name	Information Needed
Amount <i>(Format must be properly punctuated with a dollar sign, comma(s), and decimal point – e.g. \$999,999.99)</i>	Enter payment amount
Sending Bank Routing Number	Enter sending bank's routing number
Receiver ABA Number	021030004
Receiver ABA Short Name	TREAS NYC
Beneficiary Account Number	875050080000
Beneficiary Name	CMS
Originator	Input state name
Originator to Beneficiary Information	<ul style="list-style-type: none">• Enter the 3-character agency code that CMS assigned to the state• Enter "Medicare Part D SPD Contribution"

PAY.GOV

The Treasury developed Pay.gov to meet its commitment to process collections electronically using internet technologies. Pay.gov is a secure web-based collection portal and states can make SPD contribution payments to CMS at no cost.

When states pay their SPD contributions using Pay.gov, the transactions are processed as an Automated Clearing House (ACH) direct payment debit. ACH collections are processed by the Federal Reserve Bank of Cleveland with settlement usually occurring the next business day.

Making Payments through Pay.gov

Pay.gov requires a user ID and password to access the CMS Medicare Part D Payment form on the portal. States electing to use Pay.gov must first enroll through CMS. As part of the enrollment process, CMS will facilitate and authorize the Treasury to issue each state a user ID and password. To set up a user ID and password, send an email to DPBCStateBuy-in@cms.hhs.gov (this resource email also handles SPD contribution billing inquiries and requests).

Pay.gov provides customer service to states concerning use of the portal, payment processing, and other topics. Contact a Pay.gov customer service representative at <https://www.pay.gov> or use the contact information provided below:

Phone: 1 (800) 624-1373 Option #2

Fax: 1 (216) 579-2813

Email: pay.gov.clev@clev.frb.org

Hours (EST): 7:00 a.m – 7:00 p.m.

CONTACTS

Send an email to DPBCStateBuy-in@cms.hhs.gov for SPD contribution billing inquiries and requests.

