



## FACT SHEET: *February 26, 2010*

# Medicaid Change Saves Mississippi \$36.7 Million

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### KEY TAKEAWAY:

The U.S. Department of Health and Human Services recently determined that the formula for determining state payments for the Medicare Part D prescription drug program should be adjusted to incorporate changes in the federal and state Medicaid costs resulting from the American Recovery and

Reinvestment Act. As a result of the change, Mississippi will experience \$36.7 million in savings of which parts can be used in the current or future fiscal years. The savings are one-time money and do not constitute a long term revenue source.

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### *Medicare Part D Prescription Drug Program and Costs to the State*

The Medicare Part D prescription drug program provides coverage for costs associated with the purchase of prescription drugs. All people with Medicare are eligible for the program.

In Mississippi and in every other state, there are a number of people who are enrolled in Medicare and Medicaid. People enrolled in both programs are called “dual eligibles.”<sup>1</sup>

Since “dual eligibles” are enrolled in both programs, the federal government assumes that there is a cost savings to the state through lower Medicaid expenditures on this program.

Therefore, the federal government requires the state to pay for part of the savings. The payment is often referred to as the “clawback.” The clawback payment is due monthly.

While a number of factors go into determining the amount of the state’s “clawback” payments, one includes the state’s Federal Medicaid match also known as the “federal medical assistance percentage (FMAP)”. As states FMAP increases, the clawback payment required from states decreases.

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### *American Recovery and Reinvestment Act Changes*

When the American Recovery and Reinvestment Act (ARRA) passed, the FMAP in Mississippi also increased which provided more federal money for the Medicaid program.

ARRA also included provisions for increases in the FMAP beyond original ARRA allocations for states like Mississippi that experience high unemployment levels.

Initially, the United States Department of Health and Human Services (HHS) was silent on whether or not clawback payment amount calculations would be affected by the ARRA funded FMAP increases.

As a result, the clawback payments in Mississippi did not decrease when the FMAP increase funded by ARRA was implemented.

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## *Recent Changes*

HHS has recently announced that the ARRA funded Federal Medicaid match increases should be used in calculating state clawback payments.

Since Mississippi has received increased FMAP funded payments by ARRA for Medicaid expenditures dating back to 10/1/08, the state has essentially overpaid the federal government on its clawback payments.

The U.S. Department of Health and Human Services has determined that states can apply the overpayment to offset future clawback payments until it has reached its retroactive savings.

Additionally, the states clawback payments for this year will be lower than anticipated. In Mississippi these two savings amount to \$36.7 million dollars.<sup>2</sup>

<b>MISSISSIPPI</b>		
<b>Clawback Savings for 10/08 – 12/09</b>	<b>Clawback Savings for 1/10 – 12/10</b>	<b>Total Savings</b>
\$19,782,000	\$16,965,000	\$36,747,000

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<sup>1</sup>Dual Eligibles would include elderly people who are low-income or disabled people who are enrolled in both Medicare and Medicaid.

<sup>2</sup>Federal Funds Information for States. 444 N. Capitol St., NW, Suite 642, Washington, DC 2001. Issue Briefs 10-04, 10-07, 10-08, January 13, 2010, February 23, 2010 and February 25, 2010.