

State Allotments for Medicare Payments of Part B Premiums

On October 16, the Centers for Medicare and Medicaid Services issued a final rule on how it will compute each state's allotments for fiscal years FY 2006 and FY 2007 to help pay for Medicare Part B premiums for qualifying individuals (QIs). Final FY 2006 allotments and 2007 preliminary allotments determined under this methodology are included in this final rule. (**View a copy of the [October 16 2006 final Rule](#)**).

This final rule adopts the interim rule published on April 28, (which received no comments) and becomes effective November 15, 2006.

The new formula will allow for adjustments in the preliminary allotment to states for Medicaid payment of Medicare Part B premiums for QIs in order to correct shortages and surpluses in state funds. This new methodology will help minimize shortfalls and surpluses in funding for QIs; which was a problem in 2005 when some states had to deny benefits to "eligible persons" due to significant shortfalls in their allotments while other states had surpluses. According to CMS, the 2005 inaccuracies in state's allotment were due to errors in the Census Bureau data.

On October 20, 2005, Congress enacted the "QI, TMA and Abstinence Programs Extension and Hurricane Katrina Unemployment Relief Act of 2005" which extended the QI program through September 30, 2007 with no change in funding; that is Congress continued to fund the program at \$400 million total for each of FY 2006 and FY 2007. The regulation will sunset at the end of calendar year 2007 when authorization for QI benefit expires, unless Congress again authorizes an extension of the QI benefits and appropriate funding to the states.

The new methodology allows for redistribution of surplus funds to states that have shortfalls in the fiscal year. The final rule established a two step/two phase process for determining state QI allotments for FY 2006 and FY 2007. In the first phase CMS uses a formula based on Census Bureau data; states projected QI expenditure, and projected surpluses/shortfalls to establish the states' "preliminary" QI allotments for the fiscal year. Under phase 2, during the fourth quarter, CMS adjusts the States' initial/preliminary allotments by considering the states' updated projected QI expenditures for the fiscal year. This process would then proportionately reduce the QI allotments of states with surpluses by the amount of the total needed for states with shortfalls in their QI allotments for the fiscal year.

A more detail description of the eligible groups, and background of the states' Medicaid requirement to provide for Medicare cost sharing for these low income Medicare beneficiaries are included in the final rule.

October 26, 2006