
FISCAL TOPICS

Fiscal Services Division

September 11, 2023



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Medicare Part D Clawback

Summary

The costs of outpatient prescription drugs for low-income Medicare beneficiaries were previously paid by Iowa through Medicaid. Effective January 2006, Medicare Part D, not Medicaid, began covering outpatient prescription drug services to dual-eligible beneficiaries (individuals classified as low-income senior citizens eligible for both Medicaid and Medicare). Beginning in calendar year (CY) 2006, a portion of the estimated savings to the State due to federal payment of prescription drugs through Medicare Part D was paid from Iowa to the [Centers for Medicare & Medicaid Services \(CMS\)](#), and is called the Medicare Part D clawback, as referred to and defined below.

Background

Previously, Medicaid provided prescription drug coverage for low-income senior citizens, with the federal government paying a portion of the cost through the Federal Medical Assistance Percentage (FMAP) formula, which can range anywhere from 50.0% to 77.0%, depending on state per capita incomes.

The [Medicare Prescription Drug, Improvement, and Modernization Act of 2003 \(MMA\)](#) was enacted by the federal government to create a voluntary prescription drug coverage plan under Medicare Part D, which provides for vaccine coverage and outpatient prescription drugs for senior citizens who have health coverage under Medicare. Medicare Part D took effect on January 1, 2006, and provides for states to pay for part of the prescription drug benefit through a phased-down state contribution, or clawback.

The clawback is a monthly payment made by the State to the federal Medicare program administered by the CMS. The amount of Iowa's payment reflects the expenditures of its own funds that the State would make if it continued to pay for outpatient prescription drugs for dual-eligible senior citizens through Medicaid. This amount is determined by a formula utilizing the number of dual-eligible beneficiaries. States were required to pay the federal government 90.0% of their estimated savings in CY 2006, with the proportion reduced to 75.0% beginning in CY 2015, and thereafter. The goal of the proportional payment is to ensure both federal and state governments contribute to the cost of providing Medicare Part D to senior citizens, along with monthly premiums paid by beneficiaries opting to enroll in a Medicare Part D plan. States are required to pay interest on any clawback amount that is unpaid, which is offset immediately through a reduction in Medicaid matching funds. Iowa's annual clawback from FY 2016 to FY 2022 is illustrated in **Figure 1**.

More Information

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Figure 1 — Iowa Medicare Part D Clawback (Millions of \$)

Fiscal Year	Annual Payment
2016	\$ 99.6
2017	109.0
2018	110.7
2019	109.0
2020	101.7
2021	99.4
2022	106.7

Funding

Medicare Part D clawback payments are 100.0% State-funded and are paid by the [Iowa Health and Human Services \(HHS\)](#) to the CMS on a monthly basis from the Medical Assistance (Medicaid) appropriation. In FY 2022, a total of \$2.005 billion in State funding was appropriated to the HHS for Medicaid through 2021 Iowa Acts, [House File 891](#) (FY 2022 Health and Human Services Appropriations Act), with approximately 75.0% of the total appropriated from the General Fund.

Related Statutes and Administrative Rules

Iowa Code chapter [249A](#)

Iowa Code chapter [249L](#)

Iowa Code chapter [249M](#)

Iowa Code chapter [249N](#)

Iowa Administrative Code [441 IAC 91](#)

Doc ID 1375324