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INSIGHTS

Calendar Year 2027 Medicare Advantage and Part D Rate Announcement

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On April 6, 2026, the Centers for Medicare & Medicaid Services (CMS) released the Calendar Year (CY) 2027 Medicare Advantage (MA) and Part D Rate Announcement. The text of the regulation can be found [here](#). A CMS fact sheet is available [here](#). A CMS press release is available [here](#). The regulation is effective June 1, 2026, and will apply to MA and Part D coverage beginning January 1, 2027.

MA: PAYMENT UPDATES

CMS stated that the final policies are projected to increase MA payments by 2.48%, or more than \$13 billion, in CY 2027. When CMS's estimated MA risk score trend, attributable to factors such as population changes and coding practices, is included, CMS stated that the increase is 4.98%. This marks a substantial change from the CY 2027 Advance Notice, in which CMS projected a 0.09% increase, or more than \$700 million, and a 2.54% increase when the estimated MA risk score trend was included.

In the Advance Notice, the effective growth rate was 4.97%. In the final Rate Announcement, CMS increased that figure to 5.33%. Rebasings and re-pricing, which had been listed as "TBD" in the Advance Notice because the average geographic adjustment index had not yet been finalized, is reflected as -0.17%. The estimated impact of changes in Star Ratings remained -0.03% in both the proposed and final rules, and the estimated impact of diagnosis source changes likewise remained -1.53%. By contrast, the "risk model revision and normalization" line changed from -3.32% in the Advance Notice to -1.12% in the final announcement, reflecting CMS's decision not to move forward with the proposed updated MA risk model for CY 2027 (discussed below).

CMS stated that the increase in the effective growth rate was primarily due to additional data and updated assumptions. CMS explained that the update reflected additional Original Medicare program experience and incurred dates through the fourth quarter of 2025. The Rate Announcement further explains that the final non-ESRD fee-for-service United States per capita costs for both Part A and Part B reflect experience and incurred dates through the fourth quarter of 2025. In contrast, the Advance Notice relied on experience through the second quarter of 2025 for Part A and the third quarter of 2025 for Part B.

CMS also finalized the statutory minimum MA coding pattern difference adjustment of 5.90% for CY 2027. This was proposed in the Advance Notice and finalized without change. Because CMS used the same 5.90% factor for CY 2026, there is technically no year-over-year payment impact associated with that item.

MA: RISK ADJUSTMENT

The most significant difference between the Advance Notice and the final Rate Announcement is CMS's decision not to implement the proposed updated 2027 CMS-HCC risk adjustment model for non-PACE MA organizations.

In the Advance Notice, CMS had proposed a new CMS-HCC model calibrated on 2023 diagnoses and 2024 expenditures. In the final Rate Announcement, however, CMS stated that it will continue to use the 2024 CMS-HCC risk adjustment model for CY 2027. CMS explained that it continues to believe it is important to update the MA risk adjustment model regularly, but that it is retaining the 2024 model for CY 2027 to provide the MA market with additional time to adjust to the completed phase-in of the 2024 CMS-HCC model.

That decision also altered the normalization approach reflected in the final announcement. In the Advance Notice, CMS proposed normalization factors for the proposed 2027 CMS-HCC model using a multiple linear regression methodology and average historical fee-for-service risk scores from 2021 through 2025. Under that proposal, CMS stated that the proposed 2027 CMS-HCC model normalization factor would be 1.058 and that the 2017 CMS-HCC model normalization factor used for PACE would be 1.207.

In the final Rate Announcement, CMS instead stated that, for all CMS-HCC risk adjustment models, it calculated normalization factors using a four-year simple linear regression methodology and average historical fee-for-service risk scores from 2022 through 2025. CMS listed the final normalization factors as 1.079 for the 2024 CMS-HCC model, 1.202 for the 2017 CMS-HCC model, 1.072 for the 2023 ESRD Dialysis model, 1.145 for the 2019 ESRD Dialysis model, 1.119 for the 2023 ESRD Functioning Graft model, and 1.209 for the 2019 ESRD Functioning Graft model.

In the final Rate Announcement, CMS finalized the exclusion of diagnoses from audio-only encounters and from unlinked chart review records but added an exception for beneficiaries who switch from one MA organization to another from one year to the next. CMS stated that, under the 2024 MA model, the impact of excluding diagnoses from unlinked chart review records, except switchers, is -1.53%. CMS also stated that, without the switcher exception, the impact would have been -1.78%. In addition, CMS stated that the isolated average impact of excluding diagnoses from audio-only services is 0.00%.

CMS separately stated that the exclusion of diagnoses from unlinked chart review records does not apply to PACE organizations for CY 2027. For PACE, CMS said it will continue the transition to encounter-data-based payment but will do so through blended models and without applying the unlinked chart review record exclusion to the portion of payment that still depends on pooled RAPS, encounter, and fee-for-service diagnoses.

MA: MISCELLANEOUS

- **PACE:** The Advance Notice proposed that CY 2027 PACE risk scores would be calculated using a 50/50 blend of the 2017 CMS-HCC model and the proposed 2027 CMS-HCC model. In the final Rate Announcement, CMS instead stated that CY 2027 PACE risk scores will be calculated using a 50/50 blend of the 2017 and 2024 CMS-HCC models. CMS similarly finalized PACE frailty scores using a 50/50 blend of frailty factors associated with the 2017 and 2024 CMS-HCC models, rather than the 2017 and proposed 2027 models described in the Advance Notice.
- **SNPs:** For CY 2027, CMS will continue to use the frailty factors associated with the 2024 CMS-HCC risk adjustment model to calculate frailty scores for FIDE SNPs. In the Advance Notice, CMS had proposed updating the frailty factors to align with the proposed 2027 CMS-HCC model, but CMS did not finalize that model in the Rate Announcement.
- **ESRD:** For ESRD, CMS stated that it will continue to use the 2023 ESRD CMS-HCC models for non-PACE organizations in CY 2027. For PACE organizations, CMS stated that it will calculate ESRD risk scores as a 50/50 blend of the 2023 and 2019 ESRD CMS-HCC models. CMS also stated that it will continue to set MA ESRD rates on a state basis.
- **Puerto Rico:** CMS finalized its Puerto Rico rate-setting policies for CY 2027, including the continued use of rates based on the relatively higher costs of Original Medicare beneficiaries with both Parts A and B, as well as a zero-claims adjustment. Using updated 2020–2024 data, CMS found that 13.9% of Puerto Rico fee-for-service beneficiaries with both Part A and Part B had no Medicare claim reimbursements in a given year, compared with 6.1% nationwide outside the territories, and applied a 4.4% adjustment to the pre-standardized Puerto Rico fee-for-service rates for the CY 2027 ratebook. This is more definitive than the Advance Notice, which stated only that CMS was considering whether to continue the adjustment while the updated study was being completed.

PART D: BENEFIT PARAMETERS

CMS finalized the CY 2027 Part D defined standard benefit parameters as described in the Advance Notice. The final Rate Announcement states that the deductible and annual out-of-pocket threshold are updated by applying the CY 2027 annual percentage increase to the CY 2026 values and rounding as required by statute. CMS's final tables show an annual percentage increase of 13.65% and a September CPI increase of 3.00%.

CMS finalized a standard deductible of \$700 for CY 2027, up from \$615 in CY 2026, and a standard annual out-of-pocket threshold of \$2,400, up from \$2,100 in CY 2026. CMS also reiterated that the CY 2027 standard Part D benefit continues to operate as a three-phase benefit consisting of the deductible, initial coverage, and catastrophic coverage phases, because the coverage gap phase was eliminated beginning in CY 2025.

PART D: PREMIUM STABILIZATION

In the Advance Notice, CMS discussed the statutory IRA premium stabilization framework and stated that the CY 2027 base beneficiary premium could not exceed the CY 2026 base beneficiary premium of \$38.99, increased by 6%, or \$41.33. CMS also noted, however, that individual plan premiums may increase by more than 6%. CMS further stated that direct subsidy amounts would continue to reflect the effect of premium stabilization on the base beneficiary premium and on basic Part D beneficiary premiums.

In the final Rate Announcement, CMS did not pre-announce additional voluntary premium stabilization support for CY 2027 participating PDPs. Instead, CMS stated that it cannot determine whether additional premium stabilization may be necessary until CY 2027 bids are received and analyzed. CMS further stated that, if any additional premium stabilization is provided for CY 2027 participating PDPs, it will announce that support no later than the annual summer 2026 release of the national average monthly bid amount, the Part D base beneficiary premium, and related Part D bid information.

PART D: RISK ADJUSTMENT

CMS finalized the updated RxHCC model for non-PACE Part D sponsors largely as proposed. CMS stated that the final model reflects IRA-related changes to the Part D benefit that will take effect in CY 2027, including an increased manufacturer discount for specified small manufacturers, phased in over time. CMS also stated that the model is calibrated to more recent data, specifically 2023 diagnoses and 2024 costs.

In the final Rate Announcement, CMS also stated that it will continue to adjust gross drug costs to account for maximum fair prices for selected drugs for which a maximum fair price is in effect for the initial price-applicability year, 2026. CMS further stated that the final model distinguishes the MA-PD and PDP populations through separate continuing-enrollee segments, which CMS said improves predictive accuracy.

CMS also finalized the Part D source-of-diagnosis policies and normalization policies substantially as proposed. For non-PACE organizations, CMS stated that CY 2027 Part D risk scores will be calculated using diagnoses from encounter data and fee-for-service claims, excluding diagnoses from audio-only services and unlinked chart review records, with an exception for beneficiaries who switch between MA organizations from one year to the next. CMS also finalized separate normalization factors for MA-PD plans and PDPs, calculated using the multiple linear regression methodology, and listed the final values as 1.109 for MA-PD plans and 1.005 for PDPs. CMS stated that it is finalizing separate normalization factors for PDPs and MA-PD plans as proposed, without an adjustment for demographic or other differences between the sectors.

MA & PART D: STAR RATINGS

CMS stated that the CY 2027 Rate Announcement includes the list of eligible disasters for adjustment, non-substantive measure specification updates, and the list of measures included in the Part C and D improvement measures and the Categorical Adjustment Index for the 2027 Star Ratings.

The final Rate Announcement also includes detailed content on 2027 Star Ratings. CMS stated that four new or updated measures are being added beginning with the 2027 Star Ratings: Colorectal Cancer Screening; Care for Older Adults – Functional Status Assessment; Concurrent Use of Opioids and Benzodiazepines; and Polypharmacy: Use of Multiple Anticholinergic Medications in Older Adults.

CMS also stated that three measures are being removed beginning with the 2027 Star Ratings: Care for Older Adults – Pain Assessment; Medication Reconciliation Post-Discharge; and Medication Therapy Management Program Completion Rate for Comprehensive Medication Review. CMS further stated that the respecified Colorectal Cancer Screening measure is being treated as a new measure and that Care for Older Adults – Functional Status Assessment is returning to the Star Ratings after a substantive specification change and is likewise being treated as a new measure.

In addition, CMS stated that the updated Statin Therapy for Patients with Cardiovascular Disease measure will be removed from the Star Ratings and remain on the display page. CMS also stated that the Medication Therapy Management Program Completion Rate for Comprehensive Medication Review measure will remain on the display page for measurement years 2025 and 2026 before returning to the Star Ratings as a new measure beginning with the 2029 Star Ratings.

CMS further stated that, beginning with the 2027 Star Ratings, it will use data from Part C reporting requirements to confirm the completeness of the Independent Review Entity data used in the two appeals measures and will apply scaled reductions if data integrity issues are identified. CMS also stated that, beginning with the 2027 Star Ratings, it will change the method for calculating the Categorical Adjustment Index when there is a contract consolidation. Finally, CMS stated that Table VI-1 no longer includes measures that had been considered for the Excellent Health Outcomes for All reward because CMS will not implement that reward and will instead retain the historical reward factor.

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