

## CY2025 Advance Notice Summary

### At a Glance

- The preliminary growth rate increases to 2.57%, including inflation
- CMS will continue the three-year phase-in of the 2024 CMS-HCC model with full implementation expected in CY 2026
- There are Part D changes related to the Inflation Reduction Act (IRA) that affects the benefit level structure as a whole

Below is a comparison of the impacts over the years:

Impact	2023 Rate Announcement	2024 Rate Announcement	2025 Advance Notice
Effective Growth Rate	4.88%	2.28%	2.44%
Rebasing / Re-pricing	0.39%	0.00%	TBD
Change in Star Ratings	0.54%	-1.24%	-0.15%
MA Coding Pattern Adjustment	0.00%	0.00%	0.00%
Risk Model Revision & Normalization	-0.81%	-2.16%	-2.45%
MA Risk Score Trend <sup>i</sup>	3.50%	4.44%	3.86%
<b>Expected Average Change in Revenue</b>	<b>8.50%</b>	<b>3.32%</b>	<b>3.70%</b>

FFS Growth Rate	2021	2022	2023	2024	2025
Early Preview	4.46%	N/A	N/A	N/A	N/A
Advance Notice	2.57%	4.52%	4.84%	2.15%	2.57%
Final Notice	3.64%	5.47%	4.88%	2.45%	<b>TBA</b>

### Updates for the three-year phase-in of the 2024 CMS-HCC Model

CMS is proposing to continue phasing in the updated Part C Risk Adjustment model (referred to as the 2024 CMS-HCC Model) that was finalized as part of the CY 2024 Rate Announcement. The proposal includes some key plans for phase-in:

- Blending 67% of the risk score calculated using the updated 2024 CMS-HCC Model with 33% of the risk score calculated using the 2020 MA risk adjustment model
- Considering a more sophisticated calculation methodology for the FFS Normalization factor to more accurately address the impacts of the COVID-19 pandemic

The CMS Fact Sheet can be found here: <https://www.cms.gov/newsroom/fact-sheets/2025-medicare-advantage-and-part-d-advance-notice-fact-sheet>. Comments are due by March 1<sup>st</sup>, 2024.

## More Details

### *Risk Scores*

CMS Intends to continue the three-year phase-in of the 2024 CMS-HCC Risk Adjustment model with CY 2025 payments 67% based on the 2024 model and 33% based on the 2020 model. MA risk score trend is estimated at 3.30% with the 2024 model and 5.00% with the 2020 model, resulting in a blended trend of 3.86%.

In addition to the continued phase-in, CMS is considering a more sophisticated calculation methodology for the FFS normalization factor. The new methodology includes updating from linear regression excluding years for COVID-19 to a multiple-linear regression model, with factor to indicate pre/post COVID-19 conditions. The proposed methodology is due to the linear regression model producing unreasonable results compared to actual FFS risk score data.

In the FAQ section of the CMS Advance Notice Fact Sheet, CMS stated “We believe this approach will respond to previous feedback about concerns with excluding years as well as lead to a reasonably accurate prediction of the FFS risk score in 2025.”

### *Part D Changes*

As a result of the IRA, the largest changes as part of the Part D Redesign Program include:

- Elimination of the coverage gap phase, resulting in a three-phase benefit (deductible, initial coverage, and catastrophic)
- Capping out-of-pocket costs at \$2,000

Previously implemented IRA driven benefits are continuing and include (but are not limited to): no cost sharing in the catastrophic phase, a \$35 monthly cap for insulin products, and no cost sharing for adult vaccines that have been recommended by the Advisory Committee on Immunization Practices.

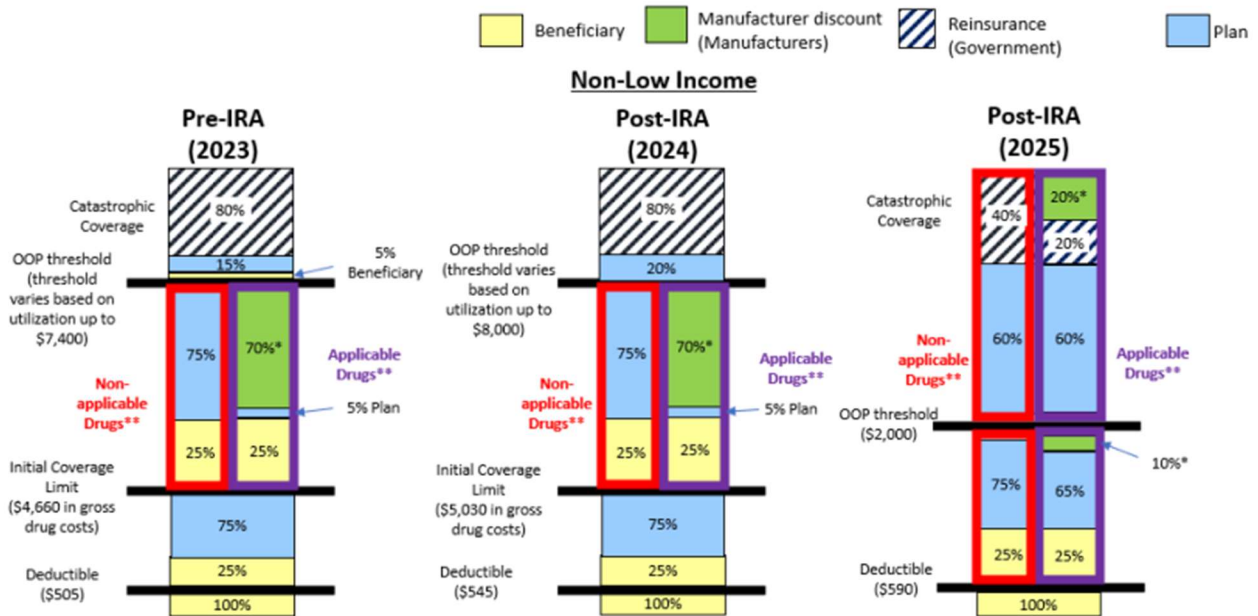
The updated Part D benefit parameters are as follows:

- Deductible at \$590 (previously \$545)
- Out-Of-Pocket Threshold at \$2,000 (ICL and OOP threshold were previously at \$5,030 and \$8,000 respectively)
- Minimum catastrophic cost sharing is no longer applicable (as of CY2024)

Beginning in CY 2025 the Coverage Gap Discount Program (CGDP) will be replaced by the Discount Program. Under the new program, the definition of incurred costs will be updated to include, among other categories of costs, supplemental coverage and other health insurance, which was previously excluded from the definition of incurred costs. Manufacturer discounts provided under the Discount Program will be excluded from the definition of incurred costs.

The following graphic is from the [Draft CY 2025 Part D Redesign Program Instructions Fact Sheet](#) and shows changes to the Part D benefit structure over the past few years

**Part D Benefit in CY 2025 and Past Years (Non-Low Income Subsidy Beneficiary)**



\*The IRA Manufacturer Discount is phased-in for certain drugs of qualifying drug manufacturers during the initial coverage phase from 2025 through 2028 and in the catastrophic phase from 2025 through 2030. For drugs subject to the phase-in, plans will be responsible for the additional cost that would have otherwise been covered by the manufacturer discount.

*New FAQs Section*

CMS seems to be trying to streamline some of the common responses to commentary on the Advance Notice by including a lengthy Frequently Asked Questions (FAQs) section at the end of the Fact Sheet. This section dives deeper into specific questions carriers may have like “What is the impact of the updated MA risk adjustment model on enrollees with complex needs and preventive care?” and “Why is CMS not proposing the multiple linear regression methodology for Part D normalization?”

<sup>i</sup> The MA risk score trend is the average increase in risk scores, not accounting for normalization and MA coding adjustments, which are shown on separate rows. The trend is calculated by using MA risk scores over the most recently available three years, calculated using the risk adjustment model to be used in the upcoming payment year. The trend is an industry average and individual plans’ experience will vary.