

2026 Medicare Advantage and Part D Rate Announcement



By Brittney Phillips

The Announcement of Calendar Year (CY) 2026 Medicare Advantage (MA) Capitation Rates and Part C and Part D Payment Policies ([Rate Announcement](#)) was recently released. This Rate Announcement addresses CMS's intentions for MA and Part D payments such as encouraging the affordability and viability of the Medicare program, health equity, and supporting comprehensive care. The most notable change from the 2026 Advance Notice was an increase to the effective growth rate. Most other policies were adopted as proposed in the Advance Notice.

Year-to-Year Percentage Change in Payment

[The chart below](#) compares the expected impact of the policy changes and updates of the most recent MA plan payments released recently. Following this comparison, each impact category is further discussed.

Impact	2025 Rate Announcement	2026 Advance Notice	2026 Rate Announcement
Effective Growth Rate	2.33%	5.93%	9.04%
Rebasing / Re-pricing	0.07%	TBD	-0.28%
Change in Star Ratings	-0.11%	-0.69%	-0.69%
Medicare Advantage Coding Pattern Adjustment	0.00%	0.00%	0.00%
Risk Model Revision and Normalization	-2.45%	-3.01%	-3.01%
MA Risk Score Trend	3.86%	2.10%	2.10%
Expected Average Change in Revenue	3.70%	4.33%	7.16%

Fee-for-Service (FFS) Effective Growth Rate

This represents the average change in the benchmarks from the prior year. Benchmarks represent the maximum amount CMS will pay for Medicare covered claims in the service area. This effectively becomes the capitation rate from CMS for MA business. The trend from 2025 to 2026 at 9.04% is a material increase from the 2025 Rate Announcement and 2026 Advance Notice, mostly due to the incorporation of additional (2024 Q4) payment data. In the past 10 years, 9.04% is one of the highest trends and this increase is consistent with public reports of 2024 experience for Medicare Advantage carriers.

FFS Growth Rate	2022	2023	2024	2025	2026
Advance Notice	4.52%	4.84%	2.09%	2.44%	5.93%
Final Notice	5.47%	4.88%	2.28%	2.33%	9.04%

Rebasing/Re-Pricing

Rebasing is the impact of CMS reassessing the expected costs of traditional Medicare on a county-by-county basis. The FFS Medicare costs are the underlying data driving the calculation of MA benchmarks, and CMS annually recalculates these values since the

implementation of the ACA. This ensures that the most recent set of data is being used to calculate the expected FFS costs. This impact would include movement in quartiles for counties with significant FFS cost changes, as well as other up and down adjustments based on expected geographic cost. Note that CMS is now using 2023 FFS cost data in the development of geographic factors used in rebasing, which was released on page 23 of the 2025 Advance Notice.

Change in Star Ratings

The Change in Star Ratings shows the revenue impact due to changes in the Star rating methodology. CMS changes and edits the measures and thresholds used in calculating the average Star Rating for MA organizations. The adjustments in Star Ratings reflect how changes impact the Quality Bonus Payments for the following payment year. These payments for 2026 are determined by the number of stars achieved in 2025, which, in turn, is based on performance across various measures during 2024. Specific MA organizations may have significant variable performance in this metric.

Coding Pattern Adjustment

The Coding Pattern Adjustment is a reduction in risk scores for MA plans based on the higher levels of coding seen in the MA membership relative to FFS. This has become a cumulative 5.90% reduction and hasn't changed in several years (no new impact from 2025 to 2026). We expect the conversation and specific adjustments coming from the Risk Model Revision have captured the desired normalization and leveling of the playing field in MA risk enhancement that had been discussed for several years in rate announcements and we expect this factor to continue to remain stable (or at least universal for all of MA).

Risk Model Revision & Normalization

The Risk Model Revision adjustment reflects the changes in the risk score model. CMS proposed a new risk score model in 2024 (colloquially the 2024 model), which was subject to a three-year phase in with plan year 2024 having 33% weight on the new model and 67% on the existing 2020 CMS-HCC model. In 2025, CMS continued the phase in with the 2024 CMS-HCC model receiving 67% weight and the older 2020 CMS-HCC model receiving a 33% weight. For 2026, the phase-in will be complete, with the 2024 CMS-HCC model receiving 100% weight. While last year the risk model and normalization changes produced a -2.45% change in expected total MA revenue, this year is expected to yield a -3.01% decrease. This accounts for the impacts of the Part C normalization factor and the phasing in of the new 2024 CMS-HCC model.

The Normalization change impacts MA risk scores to account for trend observed in the FFS population risk score. The total risk score in the FFS population has increased slightly each year due to changes in demographics, provider coding patterns, ICD-10 implementation, etc. CMS wants all trends in the overall program to come from the growth rates, so a scaling adjustment is applied to all risk scores to ensure the average risk score across all of Medicare is always 1.0. While the normalization factors are industry wide, there will be variance in the MA model impact by carrier, often dramatically.

There are considerable changes being implemented to the RxHCC model. For the RxHCC model, CMS plans on implementing the updated version of the RxHCC model that incorporates the changes made to the Part D Benefit with the IRA and impact of the negotiated Maximum Fair Price drugs; this change was outlined in the CY2026 Advance Notice.

MA Risk Score Trend

CMS has estimated the average plan coding trend for MA carriers and included in the fact sheet. This impact will vary dramatically based on carrier, provider network and sophistication, plan coding efforts and programs, membership duration and lapses, etc. This 2.10% trend is unchanged from the Advance Notice but is a noticeable drop from last year's trend of 3.86%. This coding trend has reduced each year since the introduction and phase-in of the 2024 CMS-HCC model.

Rate Announcement Fact Sheet Highlights

CMS outlined the changes in detail in the [fact sheet](#) associated with this announcement. A few major highlights from the fact sheet are below.

Inflation Reduction Act of 2022 (IRA) Updates for 2026

The IRA made several notable amendments to the Standard Part D drug benefit as defined in the Social Security Act, including:

- Implementation of the Medicare Drug Price Negotiation program which allows Medicare the ability to directly negotiate the prices of 10 drugs. The selected drugs are qualifying single source drugs with high expenditures in Part D.
- Establishment of the selected drug subsidy program for drugs subject to the Medicare Drug Price Negotiation program

Previously implemented IRA benefits are expected to continue in CY 2025, including:

- A cap of \$35 on cost-sharing for covered insulin products
- No cost-sharing for Part D covered adult vaccines.
- Elimination of the coverage gap phase introduces a three-phase benefit comprising of the deductible, initial coverage, and catastrophic phases.
- A cap on the out-of-pocket costs (MOOP) of \$2000 for CY 2025 (inflation-adjusted to \$2,100 in CY2026) is expected to largely benefit those who take high-cost medications.
- Requirement of plan sponsors to offer the Medicare Prescription Payment Plan, which allows members to spread their cost sharing across the entire year, rather than paying the full amount at the time a script is fulfilled.

These updates are unchanged from the Advance notice and further updates to the Part D program. In CY2027, the Medicare Drug Price Negotiation program will be expanded to include 15 drugs.

Part C Risk Adjustment

In the CY 2024 Rate Announcement, CMS finalized the Part C Risk Adjustment Model (2024 CMS-HCC Model), which was expected to be phased in over a three year period. For CY 2026, this phase in will be completed with the risk scores being calculated solely on the updated 2024 MA risk adjustment model. CMS has also adopted a more complex approach for risk score normalization so as to better address the impacts of the COVID-19 without excluding data years. CMS calculated the normalization factor for the applicable risk models using a five-year multiple linear regression methodology, with average FFS risk scores from 2020 to 2024, with an indicator for diagnoses captured pre- and post- onset of the COVID-19 pandemic. This approach was first introduced for CY2025. The approach used to develop the CY2024 and prior normalization factors were based on a single linear regression methodology and excluded years impacted by COVID-19. As a result of these updates, the CY2026 normalization factor for the 2024 CMS-HCC model is increasing to 1.067 from 1.045 in CY2025.

Part D Risk Adjustment and Normalization Methodology

As noted above, CMS is implementing a new Rx-HCC model for CY2026, which incorporates the changes to the Part D program made under the IRA. In addition, CMS will apply separate normalization factors to risk scores used to pay MA-PD plans and PDPs, consistent with CY2025. Per the Rate Notice, CMS believes that doing so will better align with the actual Part D costs within these sectors. These costs are influenced by various market-based factors, including overall benefits management, the limitations of PDPs in affecting diagnosis submissions in FFS, and the strategies employed to manage costs. This results in a higher normalization factor for MA-PD plans (which lowers payment risk scores) and lower normalization factor for PDPs (which increases payment risk scores). The prior methodology applied a single normalization factor for both MA-PD and PDPs.

CMS is also making adjustments to the methodology used to calculate the Part D normalization factors. Consistent with the changes made to the Part C normalization factor, CMS is utilizing a multiple linear regression methodology based on average historical risk scores from 2019 to 2023. The approach used to develop the CY2025 and prior normalization factors were based on a single linear regression methodology and excluded years impacted by COVID-19. As a result of these updates, the CY2026 normalization factor for MA-PD plans is increasing to 1.194 from 1.073 in CY2025, while for PDPs the CY2026 normalization factor is decreasing to 0.887 from 0.955 in CY2025.

Part C and D Star Ratings

CMS finalized changes to the Part C and D Star Ratings which include providing the list of eligible disasters for adjustment, non-substantive measure specification updates, and the list of measures included in the Part C and Part D Improvement measures and Categorical Adjustment Index for the 2026 Star Ratings. While not implemented for CY2026, CMS is also considering changes and requested feedback on ways to simplify and refocus the measure set on clinical care, outcome, and patient experience of care.