

January 27, 2026

CMS Issues CY 2027 Medicare Advantage and Part D Advance Notice

On Monday (January 26), the Centers for Medicare & Medicaid Services (CMS) issued the Calendar Year (CY) 2027 Advance Notice of Methodological Changes for Medicare Advantage (MA) Capitation Rates and MA and Part D Payment Policies. In the Advance Notice, CMS proposes a net average payment increase of 0.09% for MA plans, updates to MA and Part D risk adjustment models, and updates to MA star ratings measures and calculations.

"These proposed payment policies are about making sure Medicare Advantage works better for the people it serves," CMS Administrator Mehmet Oz, MD, said in a news release. "By strengthening payment accuracy and modernizing risk adjustment, CMS is helping ensure beneficiaries continue to have affordable plan choices and reliable benefits, while protecting taxpayers from unnecessary spending that is not oriented towards addressing real health needs." The Advance Notice is open for comment until February 25, and the final rate announcement is expected by April 6.

In related news, on Tuesday (January 27), CMS informed plans that it is currently developing the calendar for future Risk Adjustment Data Validation (RADV) audits and anticipates beginning the PY 2020 RADV audits by February 2026. CMS said it "still plans to secure new technology, powered by artificial intelligence, that will be used as a medical coder support tool to streamline human coding reviews." The agency will provide more information about the technology at a future date.

[Press Release](#), [Fact Sheet](#), [Advance Notice](#)

Summary of key provisions

2027 payment rates. The proposed policies contained in the Advanced Notices are projected to result in a year-over-year payment increase of 0.09%, on average, or \$700 million, for MA plans in 2027. This is down significantly from 2026, when MA plans received a 5.06% update. CMS' rate projection is based on the summation of a 4.97% effective growth rate; a -0.03% adjustment related to Star Ratings changes; a -3.32% cut related to the combined impact of MA risk adjustment model updates and the normalization factor update; and a -1.53% update related to the proposed exclusion of diagnoses from unlinked chart review records on risk scores.

The total does not include an adjustment for underlying coding trend in MA. For CY 2027, CMS expects the underlying coding trend to increase risk scores, on average, by 2.45%. When accounting for estimated risk score trend in MA, which is driven by coding practices and population shifts, the average payment increase is expected to be 2.54%.

Table 1: Year-to-Year Percentage Change in Payment

	Effective Growth Rate	Rebasing/ Re-pricing	Change in Star Ratings	MA Coding Pattern Adjustment	Risk Model Revision and Normalization	Sources of Diagnoses*	Expected Average Change in Revenue
2026 Advance Notice (Proposed)	5.93%	TBD	-0.69%	0%	-3.01%	-	2.23%
2026 Rate Announcement (Final)	9.04%	-0.28%	-0.69%	0%	-3.01%	-	5.06%
2027 Advance Notice (Proposed)	4.97%	TBD	-0.03%	0%	-3.32%	-1.53%	0.09%

* This row shows the average impact of the exclusion of diagnoses from unlinked chart review records on risk scores

MA risk adjustment model proposed updates. CMS said it plans to continue to use the current risk adjustment model, called version 28 or V28, but proposes to calibrate it using more recent data (2023 diagnoses and 2024 expenditures) from the traditional Medicare program. Previously, CMS relied on 2018 diagnoses and 2019 expenditures from the traditional Medicare program.

CMS notably is proposing to exclude diagnosis information from “unlinked chart review records,” which are diagnoses not associated with a specific beneficiary encounter, from risk score calculations beginning in 2027. The agency said plans that rely more heavily on unlinked chart reviews to report risk-adjustment eligible diagnoses will see a greater payment impact, noting that chart reviews and health risk assessments are primary factors driving coding differences among MA plans. CMS also is proposing to exclude diagnoses from audio-only encounters.

CMS said it will continue the four-year transition for PACE organizations using the 2017 CMS-HCC model. CMS proposed a blended risk score: 50% calculated with the 2017 CMS-HCC model and 50% calculated using the proposed 2027 CMS-HCC model. The exclusion of diagnoses from unlinked chart reviews for risk score calculation discussed above does not apply to PACE organizations for CY 2027.

CMS said updates to the MA risk adjustment program are guided by three principles:

- 1) Simplicity to reduce day-to-day administrative burden for both plans and providers;
- 2) Competition on creating value for patients where risk adjustment facilitates such competition equally for all varieties of plans irrespective of size or resources; and
- 3) Payments that accurately reflect beneficiary health risk and facilitate the efficient use of healthcare resources, enhanced program integrity, and greater accountability.

Part D updates. CMS also proposes updates to the Part D risk adjustment model, including implementing Inflation Reduction Act (IRA) changes to the Part D benefit that will be in effect in CY 2027:

- Increase manufacturer discounts for specified manufacturers and specified small manufacturers to reflect CY 2027 amounts: 70% during the initial coverage phase and 75% during the catastrophic phase for both specified manufacturers and specified small manufacturers;
- Continue to use adjusted annual out-of-pocket thresholds for pre-IRA data years;
- Update the model's list of adult vaccines and covered insulin products with revised cost-sharing under the IRA to account the most recent applicable national drug codes;
- Continue to adjust gross drug costs to account for the maximum fair prices of the selected drugs for which an MFP is in effect for initial price applicability year (IPAY) 2026. CMS said it could not adjust gross drug costs to account for the MFPs for IPAY 2027 because the negotiated prices were not announced in time for calibration of the CY 2027 RxHCC models. The agency said it plans to incorporate MFPs for IPAY 2027 in the RxHCC model calibration for future years.

Other non-IRA updates include:

- Update the underlying data used in the model calibration to 2023 FFS claims and MA encounter data records and gross drug costs from 2024 prescription drug events;
- Update the denominator year from 2023 to 2024;
- Update the model to exclude diagnoses from audio-only services and those submitted on unlinked chart review records (CRRs), as proposed for the MA risk adjustment model;
- Separately accounting for MA prescription drug plan and standalone prescription drug plan costs.

Star ratings. In the Advance Notice, CMS provided a 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 2027 Star Ratings.

CMS proposes to add or update four measures beginning with the 2027 Star Ratings:

- Colorectal Cancer Screening;
- Care for Older Adults - Functional Status Assessment;
- Concurrent Use of Opioids and Benzodiazepines (COB);
- Polypharmacy: Use of Multiple Anticholinergic Medications in Older Adults (PolyACH).

CMS proposes to remove three measures beginning with the 2027 Star Ratings:

- Care for Older Adults - Pain Assessment;
- Medication Reconciliation Post-Discharge;
- Medication Therapy Management (MTM) Program Completion Rate for Comprehensive Medication Review (CMR). The MTM Program Completion Rate for CMR measure will be on the display page for measurement years 2025 and 2026 and will return to the Star Ratings as a new measure beginning with the 2029 Star Ratings (measurement year 2027).

CMS also is seeking comments on updates to display measures which are publicly reported but not included in Star Ratings.

If you have questions, please contact [Heather Meade](#) or [Heather Bell](#).

Washington Council Ernst & Young

Washington Council Ernst & Young (WCEY) is a group within Ernst & Young LLP that combines the power of a leading professional services organization with on-the-ground knowledge, personal relationships and attention to detail of a boutique policy firm. We provide our clients with timely, relevant Washington insight and legislative advisory services customized to their needs. To learn more, contact wcey@ey.com.