

# LaborFirst

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TRENDS IN GROUP RETIREE BENEFITS:

## Analyzing 2026 Rates & Preparing for Next Year

January 14, 2026



# Meet the Team



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# Today's Agenda

1. Objectives
2. Review of Benefit Year 2026
3. Our Book of Business
4. Case Studies
5. Preparing for Next Year
6. Roadmap for Action
7. Q&A



# Review of Benefit Year 2026

# Review: CMS Changes that Impacted 2026 Benefit Year Planning

## *CMS Annual Rate Announcement*

MA Growth Rate increase to 9.04%—the highest since the start of the program

Payment from CMS to the MA plans increased on average 5.06% from 2025 to 2026

Year 3 out of 3 of the risk adjustment model coding phase-in from ICD9 to ICD10; model will use 100% of the updated 2024 CMS-HCC risk adjustment model (V28)

## *Medicare Part D Redesign/ Inflation Reduction Act*

Annual OOP max capped at \$2,100 (from \$2,000 in 2025)

Annual Deductible increases to \$615 (from \$590 in 2025)

Medicare Price Negotiation Program begins in 2026 with a 10% subsidy for 10 Selected Drugs in the Initial Coverage Phase

Vaccine and Insulin Cost Sharing Continued

## *Final Rule Updates for MA/Part D*

CMS did NOT finalize three provisions from the Proposed Rule; most notably not finalizing Part D coverage of GLP-1s

# Review: IRA's Impact on the 2026 Benefit Year

## *Higher CMS Payments to PDP Plans Resulted in Opportunity to Unbundle*

### **Different Normalization Factors for Part D and MAPD Results in:**

- Reduction in revenue for the Part D portion on MAPD vs. Standalone Part D
- Carriers offering “unbundled” standalone MA and Part D options for larger groups of 2000+ lives

### **Part D Premium Stabilization**

**Demonstration** provides subsidies to PDP plans:

- Year 1/2025: \$15
- Year 2/2026: \$10
- Year 3/2027: TBD

## *Less Data to Predict Risk Resulted in Delays in Rates from Some Carriers*

**Carriers didn't have a full year of Part D utilization and experience** to help them predict their risk, which factored into the delay of firm rates for some carriers.

## *New Risk-Adjustment Model Resulted in Reduction in Payments to Plans*

**The three-year phase-in of the updated CMS risk adjustment model (v28):**

- Lowered reimbursement for sicker members of the population
- Reduced funding for indirect and direct medical education costs

# Review: Medical Utilization's Impact on the 2026 Benefit Year

## *Carriers' Costs Outpacing Payments Resulted in Higher Rates*

Despite the record-setting growth rate, carriers are still falling short from a future payments perspective:

- Utilization trends are increasing mostly due to a higher volume of physician and outpatient services
- Cost increases are still exceeding CMS's average payment increase (5.06%) to MA plans from 2025 to 2026

The resulting cost increases are all factored into a carrier's rate setting process.



# Our Book of Business



# Our Dataset

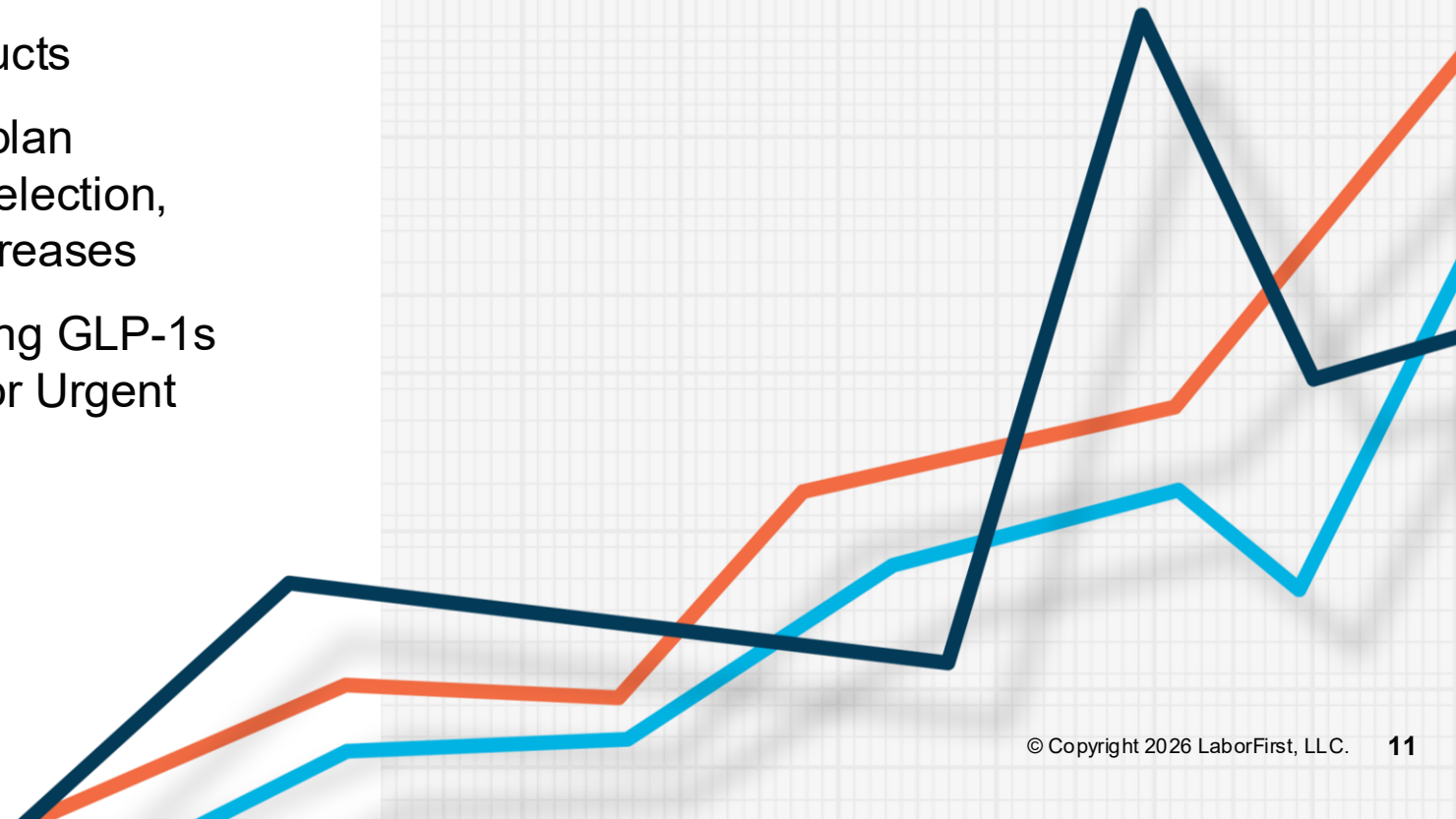
- **1,000+** total bids evaluated for current clients
- **27** fully-insured Medicare carriers
- Group retiree plans only
- All major fully-insured Medicare product types included
- Year-over-year rate change analysis (2026 vs 2025)
- Outliers removed (> 75% YoY or <-75% YoY)
- MAPD accounted for 60% of all bids

## *Products Analyzed:*

- MAPD (Medical + Part D)
- Standalone MA
- Med Supp
- Standalone Part D

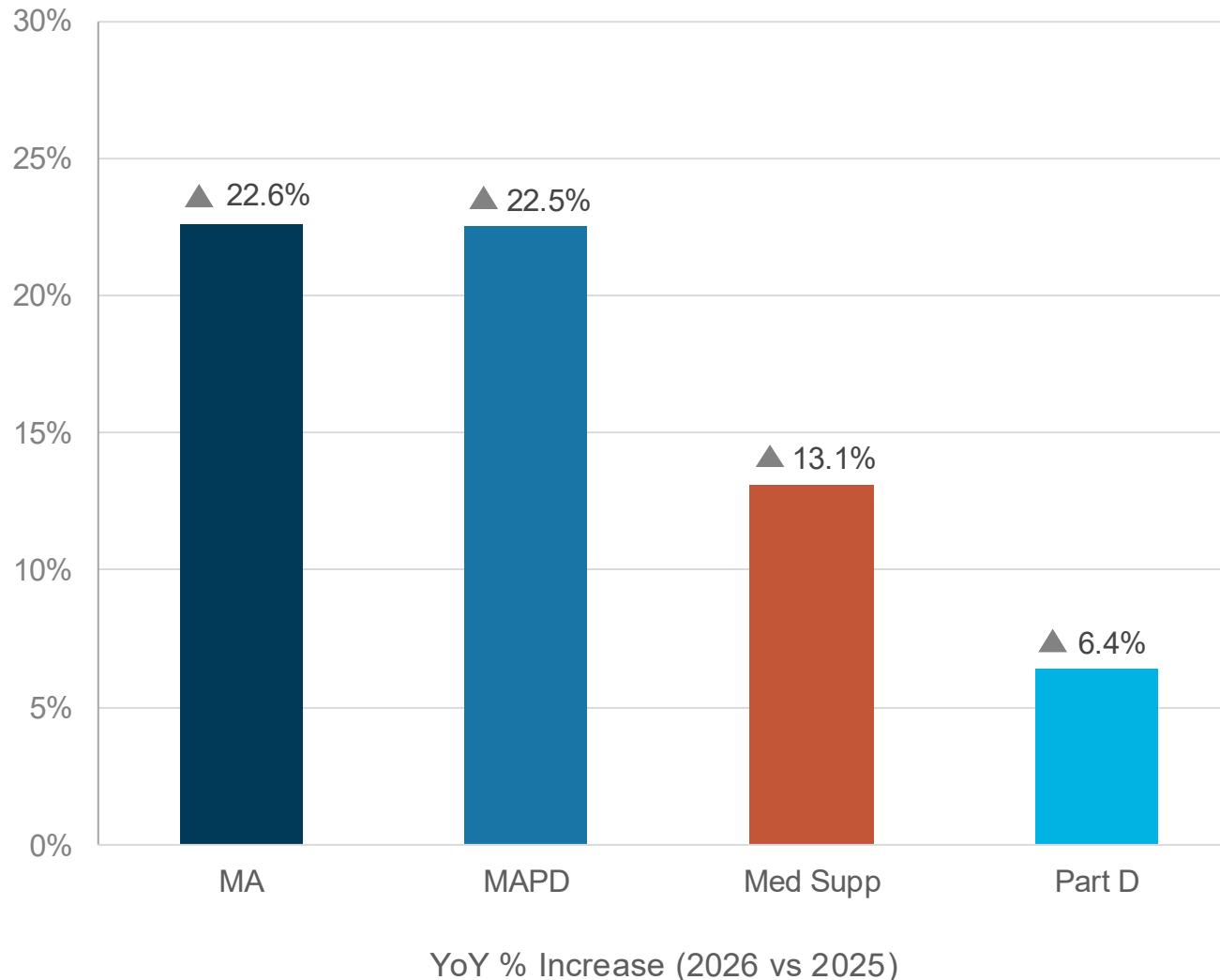
# Market Dynamics

- 2026 renewals presented challenges for many plan sponsors due to increased plan utilization, delays in the timing of proposals and renewals, and pricing increases driven by the impact of the IRA and CMS changes
- Rates were up across all Medicare products
- Plan sponsors had to consider different plan designs, member contributions, carrier selection, and formulary to help offset premium increases
- Plan design changes focused on removing GLP-1s for weight loss and increasing co-pays for Urgent Care and ER visits



# Average % Rate Increase Across Products

## 2026 Bids



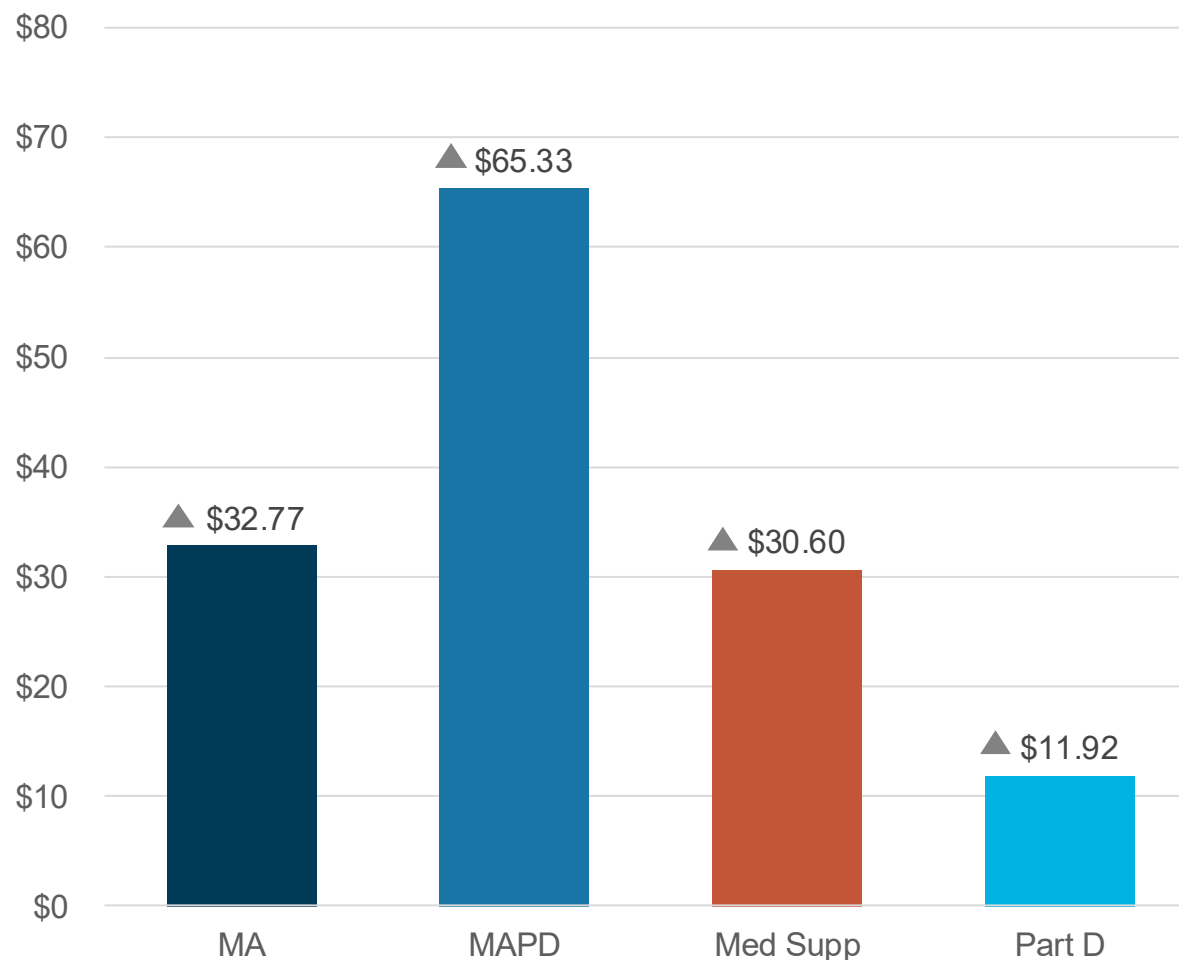
### *Key Highlights:*

- Across our book of business, we received and evaluated over 1,000 client bids for benefit year 2026\*
- MA and MAPD experienced the highest YoY increases, averaging just over 22%
- Part D showed the lowest YoY increase (6.4% vs 2025), we'll cover major savings when transitioning from RDS plans

\*Outliers Removed (> 75% YoY or <-75% YoY)

# Average \$ Rate Increase Across Products

## 2026 Bids



YoY \$ Increase (2026 vs 2025)

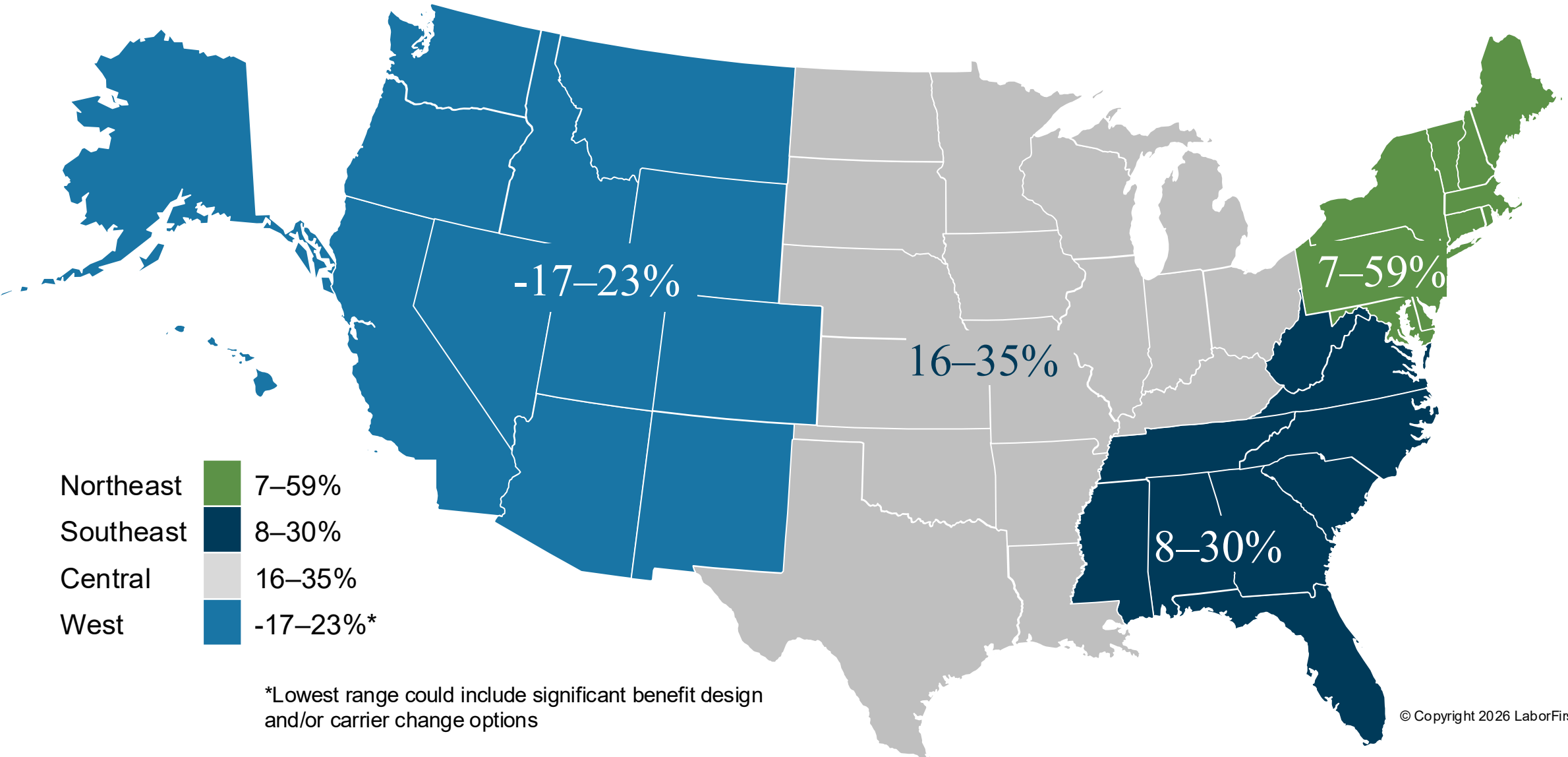
### *Key Highlights:*

- MAPD experienced the highest average YoY dollar increase at \$65.33, with outliers removed.
- MA and Medicare Supplement showed similar average YoY increases, at approximately \$30–\$33.
- Part D had the lowest average YoY dollar increase (\$11.92), reflecting lower overall cost growth relative to other products.

\*Outliers Removed (> 75% YoY or <-75% YoY)

# MAPD

Min to Max Rate Increase Range from All 2026 Carrier Bids by Region



# Carrier Migration YOY: by % of Clients

## Key Takeaways

- 10% of clients migrated to a different carrier in 2026, down from 2025 but higher than 2024. Carrier migration can cause friction with members, especially without comprehensive support and services.
- Clients with MAPD plans had the least amount of carrier migration (6%) and clients with group supplement to Medicare had the most (17%)

## Carrier Migration: 3-Year Trend

	2024	2025	2026
% of Clients Who Remained with Same Carrier	94%	87%	90%
% of Clients Who Migrated to a New Carrier	6%	13%	10%

## Carrier Migration by Product

	% of Clients Who Migrated to a New Carrier in 2026
MAPD	6%
Part D	15%
MA	15%
Med Supp	17%
<b>All Products (Weighted by Client Count)</b>	<b>10%</b>

# Distribution of Final MAPD Renewal Rates Selected by Clients for 2026

- 62% of selected MAPD rates were  $\leq 20\%$  YoY after negotiations; which is below the average of all MAPD rate bids (23%)

YOY Rate Increase	% of MAPD Clients
-25% to 0%	8%
0% to 10%	29%
10% to 20%	25%
20% to 30%	12%
30% to 50%	12%
>50%	14%

## Dataset Notes:

- MAPD accounted for 60% of all bids
- Includes final post-negotiation rate decisions



# Case Studies



# Case Study:

## Transition from RDS to Part D

### Group Demographics

- Large local union in Northeast
- ~10k post-65 retirees
- After impacts from the IRA, fund was no longer creditable; fund wanted to reduce liability & save costs
- Fund also wanted customized service and advocacy for their retiree members

### Achieving Results through Medicare Market Strategy

- The fund received a full RDS analysis with third-party validation and a comprehensive market analysis, including basic plan options with flexible "a la carte" features
- The fund saved millions in costs while retirees ultimately received the same Rx benefits from the incumbent carrier *and* LaborFirst healthcare advocacy



### REDUCED COSTS

Fund transitioned by  
1/1/2026 to Part D for

**\$15M+**  
in cost savings.

# Case Study:

## Transition to Fully-Insured MAPD & Self-Insured Wrap

### Health Fund Demographics

- Oversees 3 Locals across 2 states
- Self-funded COB for medical and a fully-insured Part D + self-insured Wrap in 2025
- Medical costs were escalating at an unsustainable rate, driven partly by Skilled Nursing Facility (SNF) exposure (Fund shared cost with Retiree)

### Leveraging Carrier Relationships in Product & Plan Design

- The fund received a comprehensive market analysis demonstrating significant medical savings with full coverage of SNF costs by transitioning to a fully-insured MAPD + self-insured Wrap
- The fund received a medical network disruption report to ensure regional network strength in both states
- Members' Rx benefits remained the same; scripts transfer, same copays



### REDUCED COSTS w/ SAME RX BENEFITS

Fund transitioned by  
1/1/2026 to  
MAPD + Wrap for

**\$3.6M**

in cost savings.

# Case Study:

## Transition from RDS to Part D

### Group Demographics

- Private utility cooperative covering 17 counties in the Southeast
- 190+ post-65 retirees
- Group's 2025 self-funded RDS plan was very costly

### Supporting the Goals of Consultants & Clients with Deep Expertise

- The presentation to the group's board included:
  - A Part D market analysis with cost savings
  - A formulary disruption report
  - A utilization management evaluation
  - Administrative changes post-transition and the value of implementation support and ongoing healthcare advocacy
- During implementation, members who would be affected by utilization management disruption were identified and mailed customized letters explaining changes with prior authorization and/or step therapy



### REDUCED COSTS

Group transitioned by  
1/1/2026 to Part D for

**\$863,320**

**ANNUAL**  
cost savings.\*

\*Total does not account for rebates  
from COB

# Case Study:

## Plan Design Changes & Carrier Migration

### Group Demographics

- Mid-size municipality in the Southeast region
- Part D renewal rate had a 20% increase
- The group wanted a Part D plan redesign with options to reduce costs

### Choice in Benefits & Carrier Selection with a Seamless Transition

- The group received a plan comparison for several options, exploring savings around adding/removing GLP-1s for weight loss, lifestyle drugs, non-Part D drugs, and deductibles
- The group chose to remove their Bonus Drug List and add a \$100 deductible
- The group's retiree members and administrative staff experienced a seamless carrier migration and plan implementation with full support and services, including ongoing healthcare advocacy for retirees



### REDUCED COSTS

Group transitioned by 1/1/2026 a new Part D plan design with a new carrier, realizing a

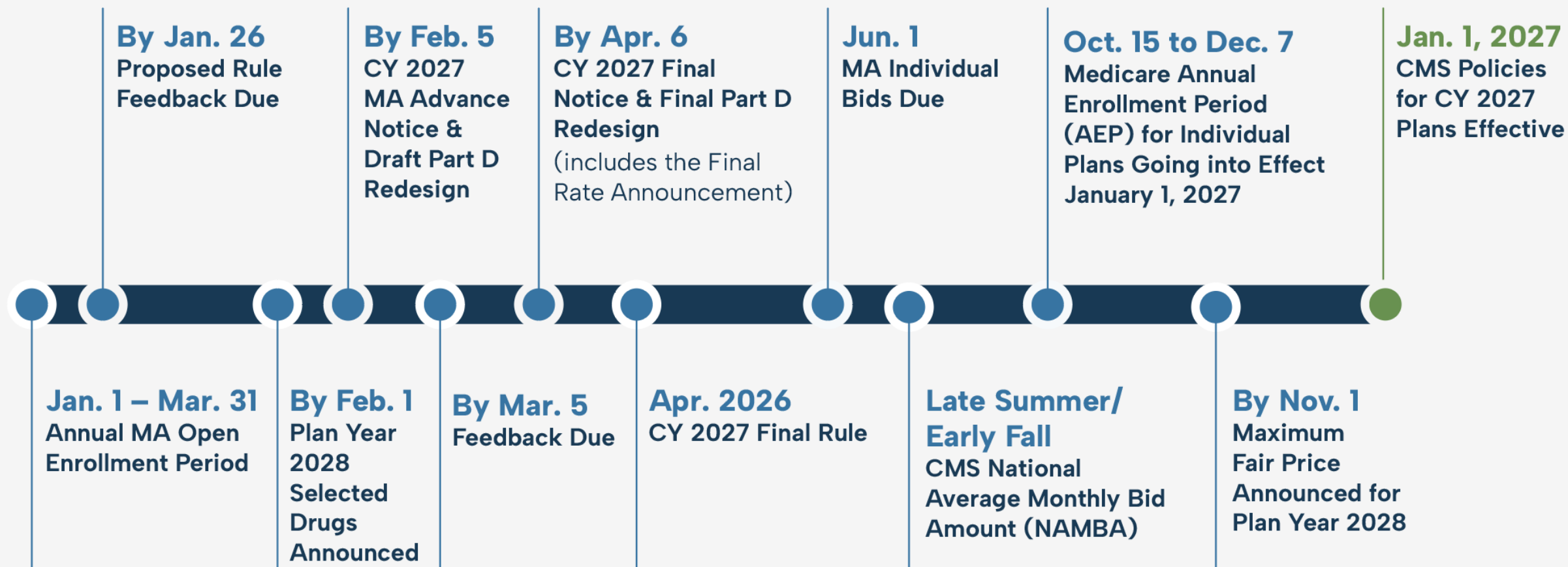
< 1%

rate increase from 2025 to 2026.



# Preparing for Next Year

# 2026 Timeline



# Proposed Rule Highlights

*Highlights from the MA & Part D Proposed Rule for 2027 (Released on Nov 25, 2025)*

## *STAR Rating Updates*

- Eliminating Health Equity Index (HEI) reward
- Removing 12 admin/process-oriented measures
- Adding new Depression Screening and Follow-Up measure in 2027

CMS estimates the financial impact of Star Rating updates will increase MA payments by \$13.18 billion from 2028 through 2036\*.

## *MA Improvements with 3 Requests for Information (RFIs)*

- **RFI 1:** Input on risk adjustment and quality bonus payment changes
- **RFI 2:** Input on growth in chronic conditions special needs plans
- **RFI 3:** Input on wellbeing, preventative care, and nutrition

**RFI 1:** From a group plan perspective, CMS's final decision on changes to risk-adjustment and quality payments could impact premiums and product selection.

## *Codifying IRA Changes*

- Proposal to codify (or organize and formalize) changes enacted by the Inflation Reduction Act of 2022 (IRA)

Codifying the IRA would make its key provisions—such as the Manufacturer Discount Program, no cost-sharing for approved vaccines, and the \$35 insulin cap—permanent law.

# Proposed Rule Highlights Continued

## *New Special Enrollment Period*

- New Special Enrollment Period (SEP) for Medicare enrollees whose providers leave their plan's network
- "Significant change" limitation would be eliminated

SEP changes that would impact Medicare enrollees could create new rules and requirements, impacting client processes (i.e. retirees subsidy rules)

## *Reduction in Regulatory Burden & Costs*

- **RFI:** input on streamlining regulations and reducing administrative burdens
- Elimination of 2025 Final Rule requirement for MA plans to send mid-year notices about unused supplemental benefits

Reducing administrative burdens could help carriers financially.





# Roadmap for Action

# Quarterly Timeline & Action Items

Q1



**BY JAN. 26, 2026**

Proposed Rule Feedback Due

**BY FEB. 5, 2026**

Advance Notice of Proposed Payment  
Rates and Policies

**BY MAR. 5, 2026**

Advance Notice Feedback Due

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## Early Planning & Direction Setting

- Engage your consultant/broker and key advisors early
- Establish initial goals, objectives, and decision criteria
- Assess potential market changes and strategic options to inform your roadmap
- Monitor proposed CMS and broader governmental policy changes
- Provide stakeholder input to CMS through RFIs and comment opportunities

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Q2



**BY APR. 6, 2026**

Final Notice of Payment Rates and Policies; carriers can fine-tune their financial and operational models

**APRIL 2026**

Final Rule

**JUNE 2026**

MA & Part D Individual Bids Due

## Strategy Refinement & Market Preparation

- Analyze the impact of the CMS Final Notice and Final Rule
- Reconfirm or adjust goals and objectives based as needed
- Prepare for carrier renewals including any plan or benefit changes you are considering or looking to make
- Request pricing for alternative benefit designs, formularies, and/or products
- Determine the strategy and scope for pursuing bids from other carriers

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Q3



**OCT. 15 to DEC. 7, 2026**

Medicare Annual Enrollment Period (AEP) for individual plans going into effect on January 1, 2027

## Decision-Making & Implementation Planning

- Complete evaluation of renewal terms and competitive carrier bids
- Assess potential network and formulary disruption and member impact
- Finalize negotiations and select carrier(s), plan(s), and cost-share approach
- Confirm decisions related to member experience and service model
- Begin development of member communications and engagement materials

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Q4

**LATE SUMMER/EARLY FALL 2026**

CMS releases National Average Monthly Bid Amount; based on this release, plans can determine the direct subsidy amount

## Open Enrollment & Go-Live Readiness

- Execute member communications and open enrollment strategy
- Conduct retiree meetings and education sessions
- Align with partners on service and support readiness
- Finalize enrollment processing, eligibility files, and operational testing
- Prepare for January 1 go-live and post-enrollment stabilization

# Next Steps if You Are...

## Currently Retiree Drug Subsidy (RDS)

Evaluate your current plan to **ensure you have creditable coverage and review subsidy projections** with your actuary. Consider **changes to your RDS plan** to meet requirements, and **contact LaborFirst about the benefits of switching to a Part D plan.**

## Currently MA, MAPD, Part D, Group Supplement to Medicare

**Monitor the market and regulatory landscape early, and ensure you have access to utilization data to facilitate a market check** so you have options in hand when the renewal is ready for comparison.

Evaluate all levers (product, benefit, formulary, funding, carrier, etc.) with your advisor. Carrier transitions can cause friction with members, especially without comprehensive support and services.

Meet with advisors to strategize.



# Q & A

# Thank You

Book a meeting with us!

**Book a Meeting  
with one of our  
advisors via QR code or  
[sales@LaborFirst.com](mailto:sales@LaborFirst.com)**

