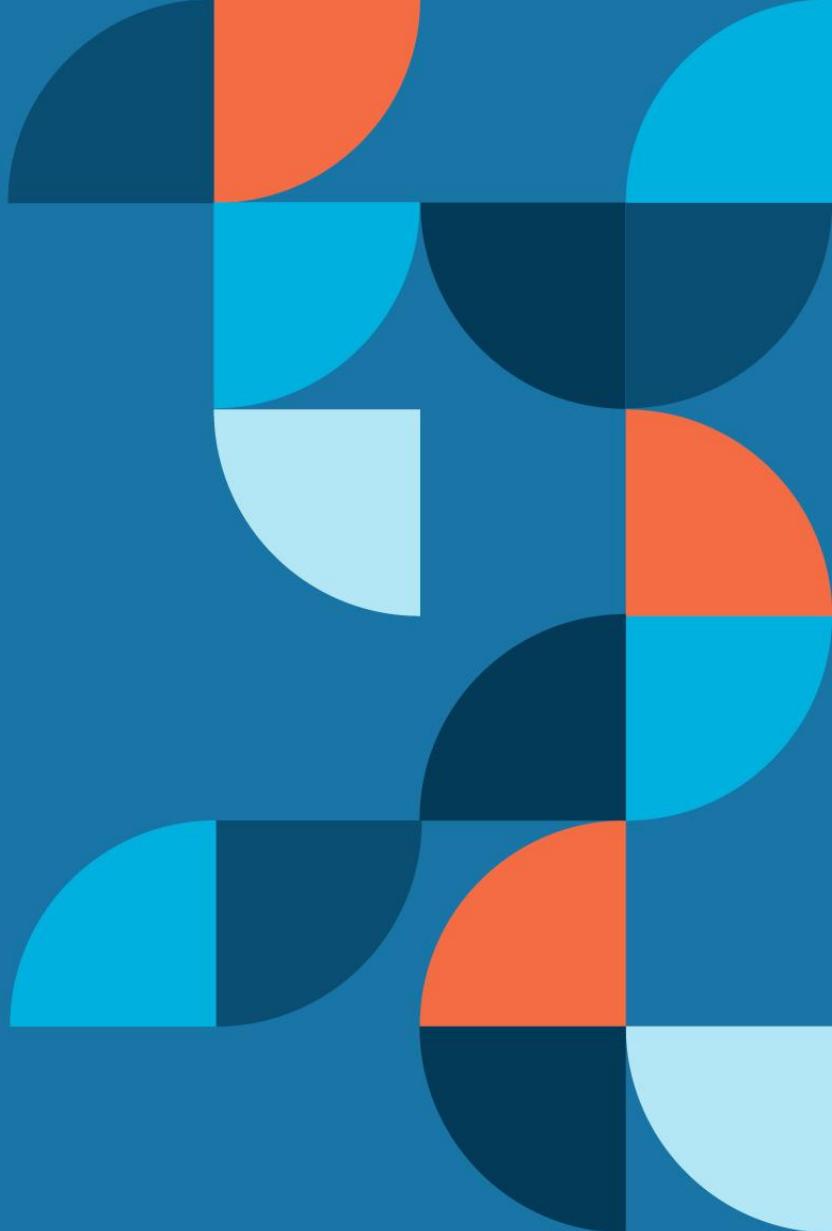




TRENDS IN GROUP RETIREE BENEFITS:
Analyzing 2026 Rates &
Preparing for Next Year



Meet the Team



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Market Growth



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MPA**
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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

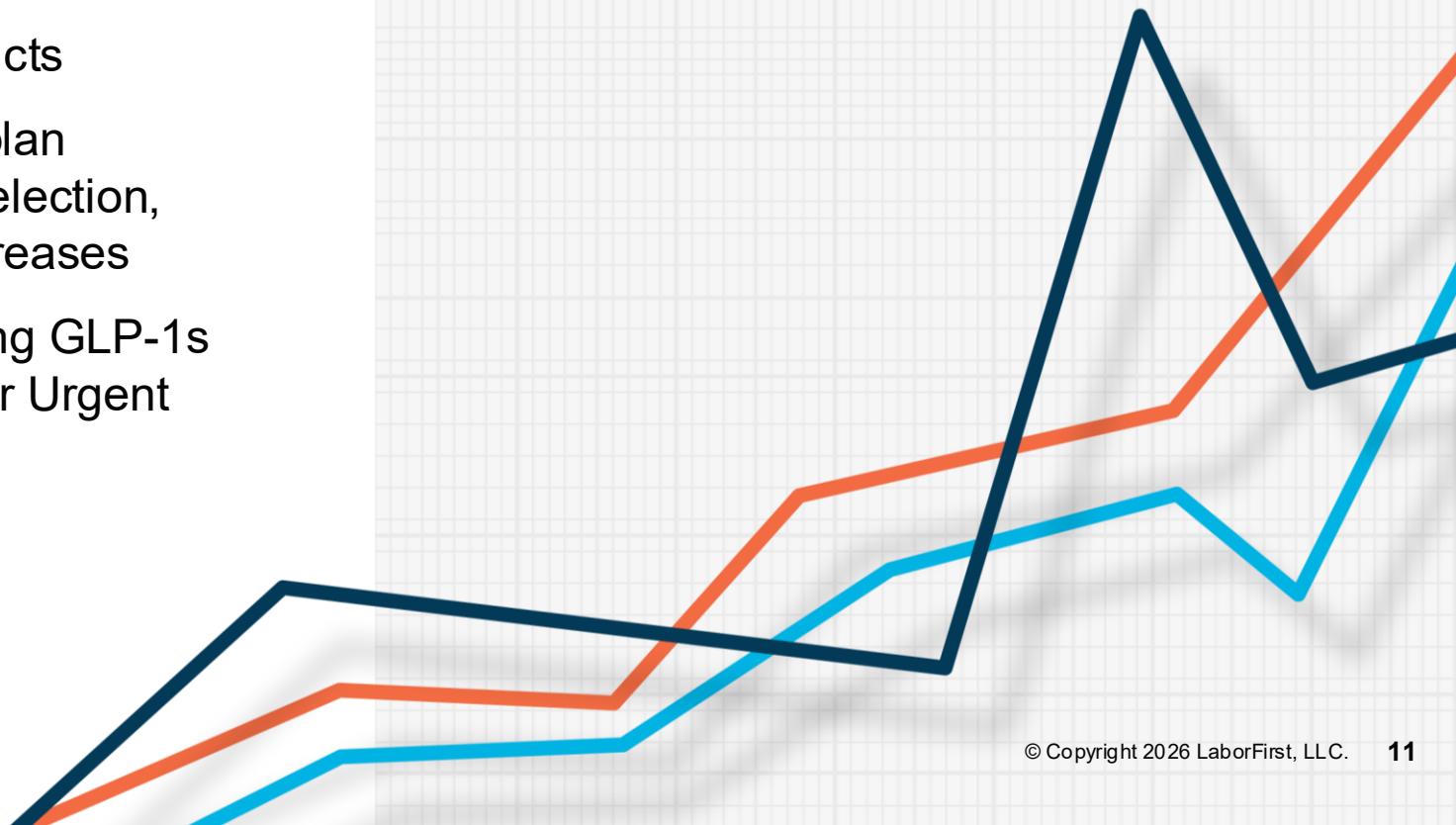
- **1,000+** total bids evaluated for current clients
- **27** fully-insured Medicare carriers
- Group retiree plans only
- All major fully-insured Medicare product types included
- Year-over-year rate change analysis (2026 vs 2025)
- Outliers removed (> 75% YoY or <-75% YoY)
- MAPD accounted for 60%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

Products Analyzed:

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

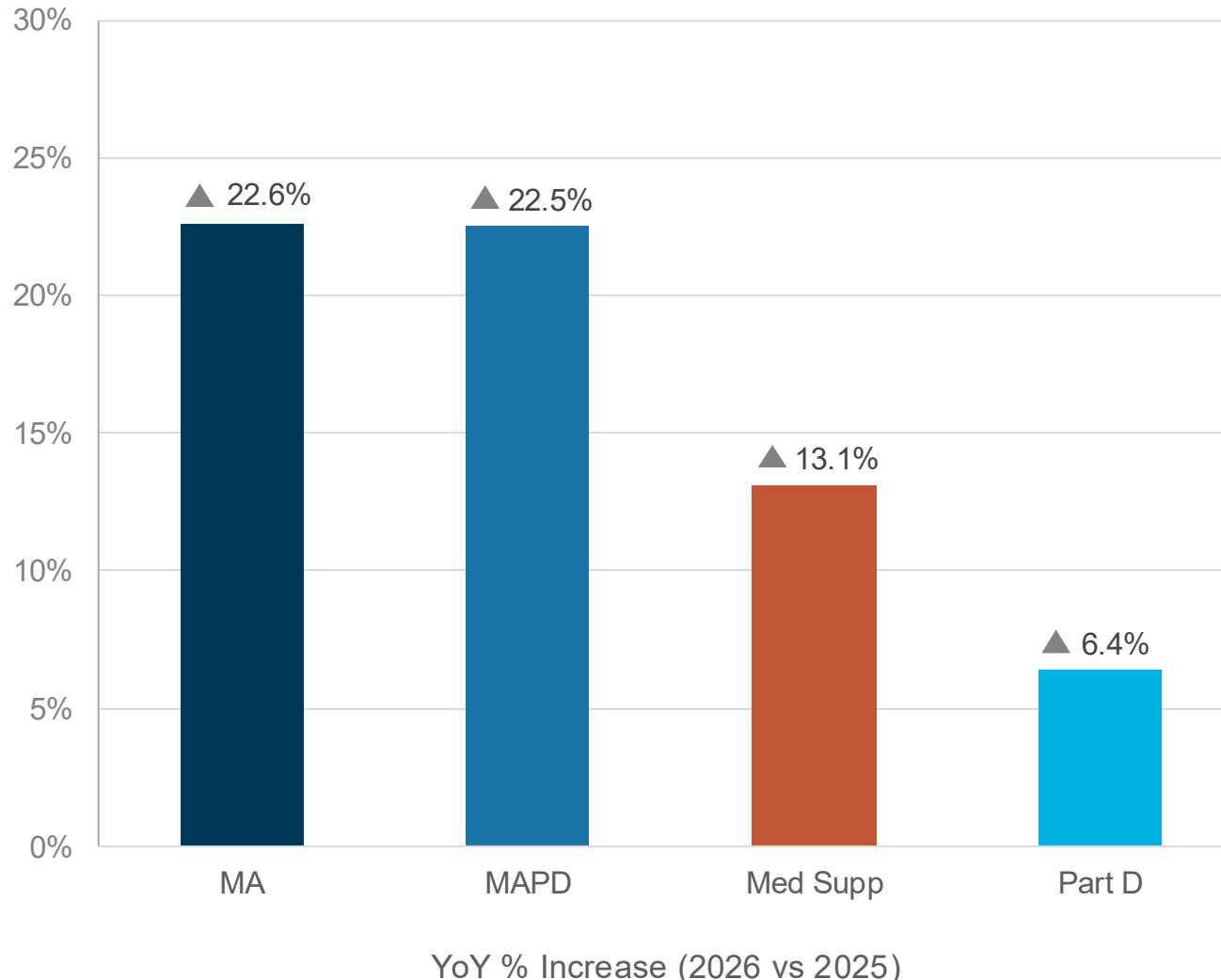
Market Dynamics

- 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



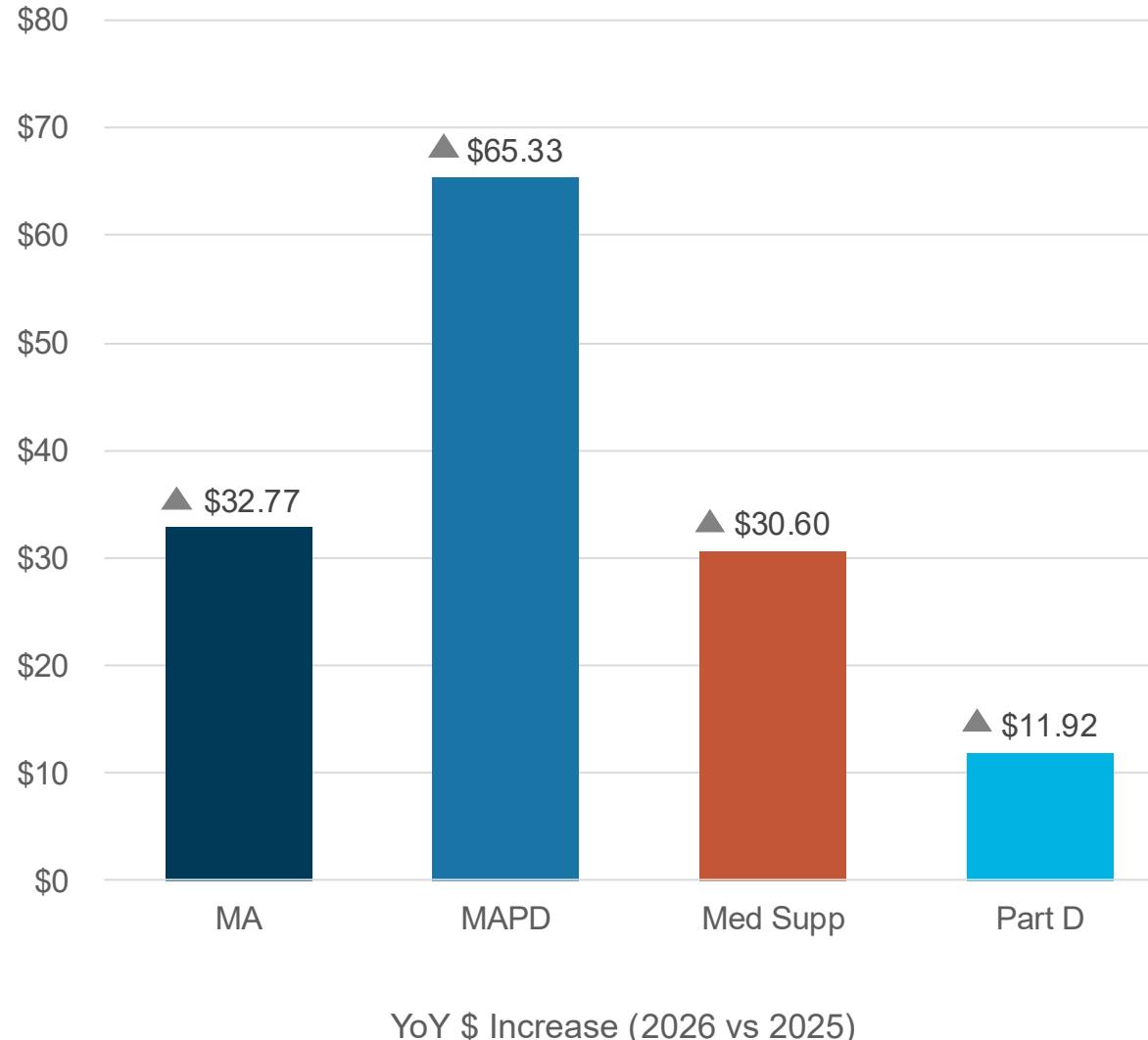
Key Highlights:

- 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

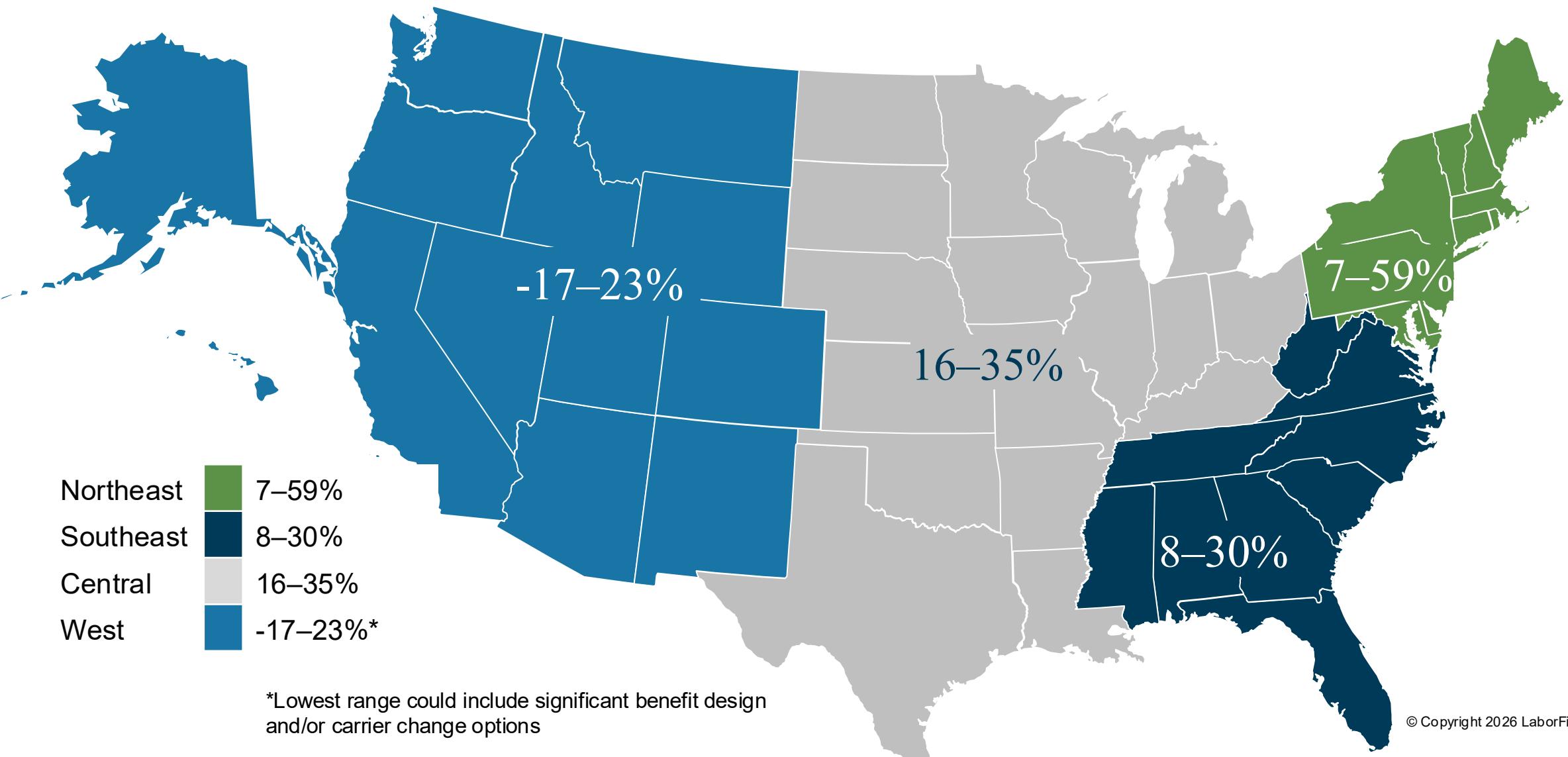


Key Highlights:

- 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)

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



*Lowest range could include significant benefit design
and/or carrier change options

Carrier Migration YOY: by % of Clients

LaborFirst

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% |
| All Products (Weighted by Client Count) | 10% |

Distribution of Final MAPD Renewal Rates Selected by Clients for 2026

- 62% of selected MAPD rates were ≤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



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



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

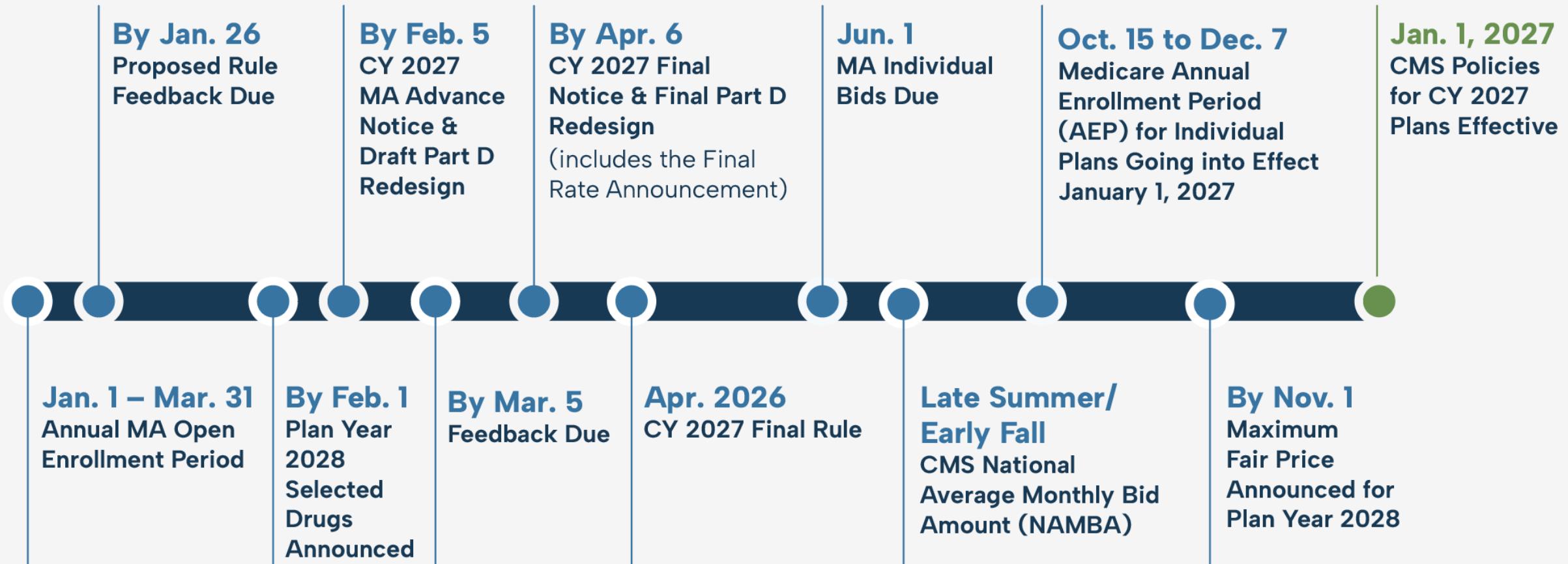
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rate increase from 2025 to 2026.



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

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

Timeline & Action Items

Q1



Q2



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

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

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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

Timeline & Action Items

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APRIL 2026

Final Rule

JUNE 2026

MA & Part D Individual Bids Due

Q3

OCT. 15 to DEC. 7, 2026

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

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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

Timeline & Action Items

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JUNE 2026

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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

Q4

LATE SUMMER/EARLY FALL 2026

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

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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**

