

# LaborFirst

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## Understanding Medicare's 2027 Final Notice & Final Rule

WEBINAR WILL BEGIN SHORTLY

April 30, 2026



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## Understanding Medicare's 2027 Final Notice & Final Rule

April 30, 2026



# Welcome!



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# Today's Agenda

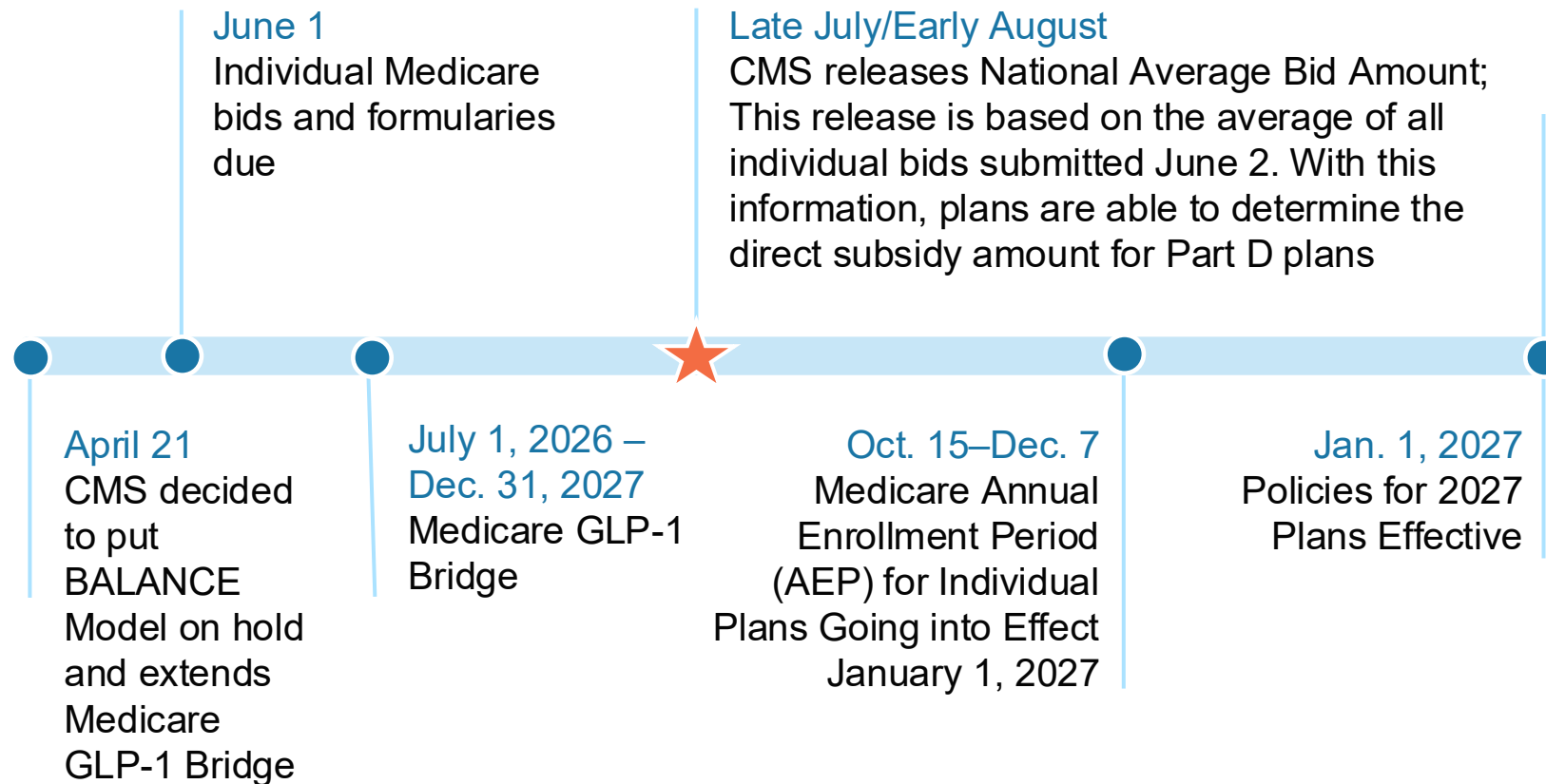
1. Timeline & Key Dates
2. Key Elements of the Final Rule
3. Medicare Advantage Highlights
4. Part D Highlights
5. Medicare GLP-1 Bridge and BALANCE Model
6. Considerations and Next Steps

# 2026 Timeline & Key Dates

## Past Dates in 2026

- Jan. 1–Mar. 31  
Annual MA Open Enrollment Period
- Jan. 26  
Feedback on Proposed Rule due  
Advance Notice released
- Jan. 27  
15 drugs selected for Medicare price negotiations effective 2028
- By Feb. 25  
Feedback on Advance Notice Due
- April 2  
Final Rule released
- April 6  
Final Notice released

## Upcoming Milestones in 2026





# Key Elements of the Final Rule

# Final Rule Highlights

## *Star Rating Proposals Finalized*

- Health Equity Index reward for 2027 eliminated; historical Reward Factor restored
- **11 out of the proposed 12 administrative measures removed with an estimated impact of \$18.6B over the next decade**
  - The 12th measure, the Diabetes Care Eye Exam (EED), wasn't removed in the Final Rule after significant stakeholder pushback
- New Depression Screening and Follow-Up measure added to Part C for 2027 measurement year, 2029 Star Ratings

## Impact:

CMS estimates a net impact of

# \$18.6B

on the Medicare Trust Fund over the next decade, or 0.21% of Medicare payments to insurers.

# Final Rule Highlights

## *Proposals Finalized*

### *Supplemental Benefits*

- To combat fraud, CMS finalized requirements for administering supplemental benefits through debit cards, including:
  - that debit cards be electronically linked to plan-covered items and services for real-time verification
  - that debit cards be limited to the specific plan year
- Elimination of 2025 Final Rule requirement for MA plans to send mid-year notices about unused supplemental benefits

### *IRA Changes Codified for 2027 & Beyond*

Changes enacted by the Inflation Reduction Act of 2022 (IRA) that are now permanent law include

- Coverage gap eliminated
- No catastrophic cost-sharing for members
- Lower annual OOP threshold
- Manufacturer Discount Program incorporated
- Implementation of the Selected Drug Subsidy

### *Reduction in Regulatory Burden & Costs*

Several changes finalized, including:

- Exemption of account-based plans (HRAs, FSAs, HSAs) from creditable coverage disclosure requirements
- Removal of restrictions by which beneficiaries can have conversations with licensed agents and brokers

# Final Rule Proposals NOT Finalized

## *New Special Enrollment Period Paused*

- A New Special Enrollment Period (SEP) proposed for Medicare enrollees whose providers leave their plan's network was NOT finalized

## *No Response to Comments on Requests for Information (RFIs)*

### **Three RFIs on MA Improvements**

- **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

### **One RFI on Regulatory Reduction**

- **RFI:** input on streamlining regulations and reducing administrative burdens



# Final Notice: Medicare Advantage Highlights

# 2027 Payment Rate

- 2027 Final Notice announced a 5.33% effective growth rate with an expected average **payment increase of 2.48%, or over \$13 billion**
- This was an improvement over the proposed 4.97% effective growth rate with an expected average payment increase of only 0.09%
- Instead of the proposed flat payment, Medicare Advantage (MA) plans will have a payment increase from the federal government in 2027

Payment Year	Advance Notice MA Growth Rate	Final Notice MA Growth Rate
2027	+4.97%	+5.33%
2026	+5.93%	+9.04%
2025	+2.44%	+2.33%
2024	+2.09%	+2.28%
2023	+4.75%	+4.88%
2022	+4.55%	+5.59%
2021	+2.99%	+4.07%
2020	+4.59%	+5.62%
2019	+4.35%	+5.28%
2018	+2.8%	+2.7%
2017	+3.0%	+3.1%
2016	+1.7%	+4.25%

# Part C Risk Adjustment Model

*A move in the right direction toward stabilizing the Medicare Advantage program.*

## Proposals Finalized

The proposed exclusion of diagnosis information from audio-only encounters and “unlinked” chart review records was finalized with **one exception for members who switch from one MA organization to another.**

- Excluding unlinked diagnoses will curb insurers from “upcoding” and restrict payments for diagnoses and chart reviews that are not linked to actual care delivered
- Without the exception, the impact of excluding unlinked diagnoses would be -1.78%
- The impact of excluding audio-only services is 0%, on average

## Proposals NOT Finalized

Proposed changes to the risk adjustment model were not finalized by CMS.

- The underlying data will remain diagnoses from 2018 FFS claims predicting 2019 expenditures (and will not update to 2023 and 2024, respectively)
- The denominator year will remain 2020 (and not update to 2024)
- Keeping the same model significantly improved the financial outlook for MA plans; projected 3 points of risk score pressure is now finalized at just over one point
- Carriers and providers now have more time to adapt to the current CMS HCC Model Version 28 (V28) phased in between 2024 and 2026

# What This Means for MA Plan Sponsors

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After a record-breaking 40,000+ comments on the 2027 Advance Notice—including our own advocacy and outreach for LaborFirst clients—the Final Rate Announcement is a positive move towards stability. CMS continues to position MA as an advantageous solution for group retiree plans.



# Part D Highlights

# Part D in 2027

## *Risk Adjustment Model Proposals Finalized*

- The exclusion of diagnosis data from audio-only encounters and “unlinked” chart review records
- Updating underlying data to reflect current costs: diagnoses from 2023 FFS claims and MA encounter data records and gross drug costs from 2024 Prescription Drug Events (PDEs)
- Updating the denominator year to 2024 (from 2023)
- Continued application of normalization and coding pattern adjustments, **including different normalization factors for PDP vs MAPD plans**
  - For 2027, this difference continues to result in a reduction in revenue for the Part D portion of MAPD
  - Carriers will consider offering “unbundled” standalone MA and PDP options for groups
  - For some groups, unbundling the MAPD product will continue to provide cost savings

## *Defined Standard Benefit Proposals Finalized*

- Increasing the standard deductible to \$700 (up from \$615 in 2026)
- Increasing the standard out-of-pocket (OOP) spending cap to \$2,400 (from \$2,100 in 2026)

# Contribution Changes to Part D

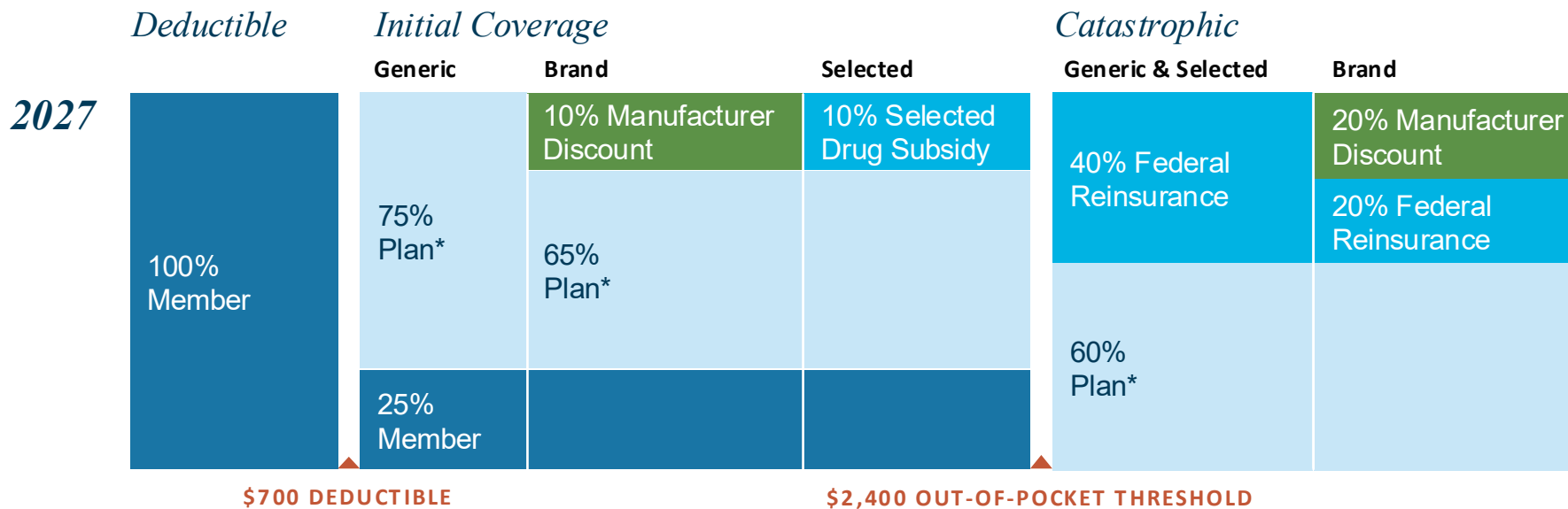
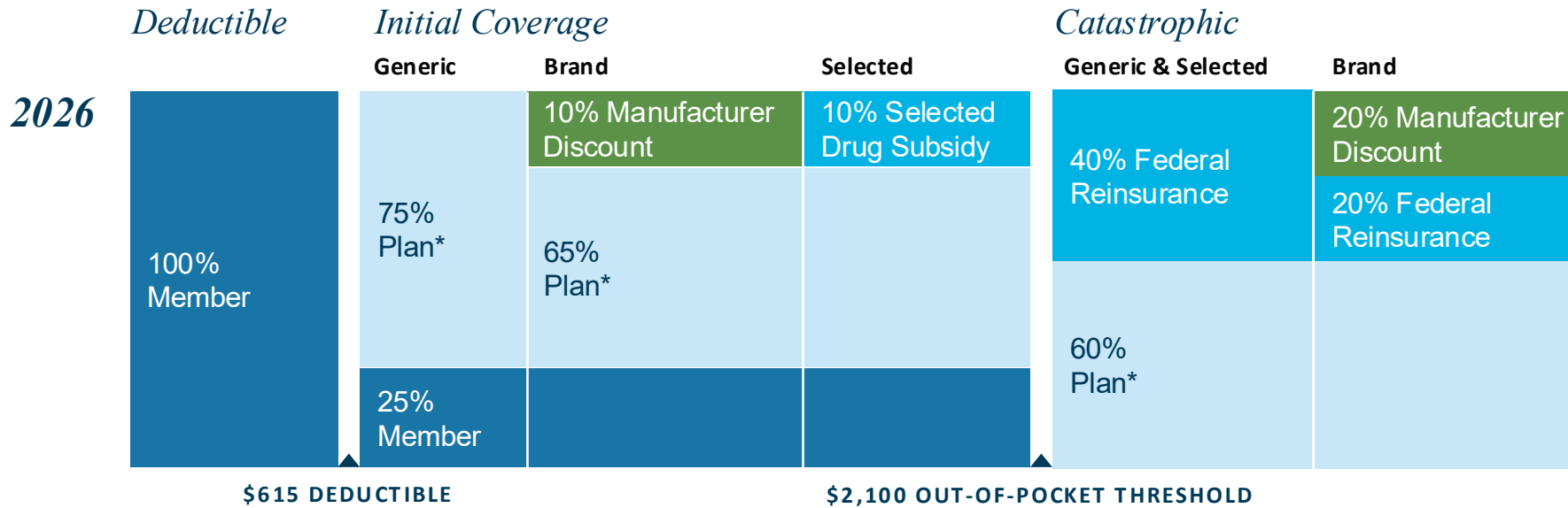
## Continued from the Part D Redesign

- More movement into catastrophic, placing more risk on plan
- Most of plan funding from Direct Subsidy instead of Reinsurance
- Additional funding from CMS on the Selected Drugs continues

## Key Contributors

- Member
- Plan\*
- Manufacturer
- Federal (CMS)

\* Includes any plan sponsors directly contracted with CMS.



# Drug Price Negotiation Program Effective in 2026 (#1)

*These drugs are used to treat common diseases such as diabetes, heart disease, arthritis, psoriasis, cancers, and blood clot prevention.*

Effective since 1/1/26, the 10 selected drugs are:

1. Eliquis
2. Jardiance
3. Xarelto
4. Januvia
5. Farxiga
6. Entresto
7. Enbrel
8. Imbruvica
9. Stelara
10. Fiasp/NovoLog

In 2023 alone,  
approximately

9M

beneficiaries spent

\$3.9B+

**out-of-pocket**

on the 10 drugs selected for  
negotiation.

# Drug Price Negotiation Program Effective in 2027 (#2)

*These drugs are used to treat common diseases such as diabetes, asthma/COPD, cancers, psychiatric conditions, and psoriasis.*

Effective since 1/1/27, the 15 selected drugs are:

1. Ozempic, Rybelsus, Wegovy
2. Trelegy Ellipta
3. Xtandi
4. Pomalyst
5. Ibrance
6. Ofev
7. Linzess
8. Calquence
9. Austedo
10. Breo Ellipta
11. Tradjenta
12. Xifaxan
13. Vraylar
14. Janumet
15. Otezla

From Nov. 2023 to  
Oct. 2024, approximately

**5.3M**

beneficiaries used these drugs,  
accounting for about

**\$41B**

in total gross costs.

GLP-1 drugs received a

**71% discount**

compared to the 2024 list price for  
a 30-day supply

**\$274 vs \$959**

# Drug Price Negotiation Program Effective in 2028 (#3)

*These drugs are used to treat diabetes, HIV-1 infection, arthritis, psoriasis, cancers, Crohn's disease, chronic migraine, asthma, psychiatric conditions, and chronic obstructive pulmonary disease.*

Effective since 1/1/28, the 15 selected drugs are:

1. Trulicity
2. Biktarvy
3. Orencia
4. Cosentyx
5. Erleada
6. Kisqali
7. Entyvio
8. Verzenio
9. Botox; Botox Cosmetic
10. Lenvima
11. Xolair
12. Rexulti
13. Xeljanz
14. Anoro Ellipta
15. Cimzia

**The one drug selected for renegotiation is:**

1. Tradjenta;  
Type 2 diabetes

This 3rd cycle is the first inclusion of

**Part B drugs,**  
and the first renegotiation of  
of a previously negotiated drug.

From Nov. 2024 to  
Oct. 2025, approximately

**1.8M**  
beneficiaries used these drugs,  
accounting for about

**\$27B**  
in total spending.

# Medicare GLP-1 Bridge & BALANCE Model

## Medicare GLP-1 Bridge Program

**Jul. 1, 2026 – Dec. 31, 2027**

Will provide eligible members with access to certain GLP-1 drugs for weight loss

- Originally a six-month program extended to a 1.5-year duration
- Carriers are NOT involved
- Program is separate to Part D; member costs don't apply to MOOP
- \$50/month copay for members
- Three products only: Wegovy (injection and tablets), Zepbound, and Foundayo

## BALANCE Model

### **DELAYED**

A voluntary program for Part D and MAPD plans

- The model would be part of the Part D benefit and carriers would be involved
- Carriers were not required to include employer group plans
- For group plans, copays were no more than \$50 for a 1-month supply
- CMS required an 80% participation threshold for a January 1, 2027 launch, which was not met

## What Is NOT Known

- Whether the BALANCE Model will launch
- Which carriers will participate, which will include employer group plans, and what copays they would offer those group plans

# Retiree Drug Subsidy Plans

## *Impact*

Plan sponsors may need to change their benefits.

### **Reference Plan**

Prior to 2025, the reference plan was the defined standard assuming no gap coverage. In 2025, the reference plan is now the same as the defined standard with the post-IRA redesign.

### **Manufacturer Discounts**

RDS plans cannot take advantage of the Manufacturer discounts provided under the Discount Program.

### **Rebates**

Potential reduction in rebates due to price negotiation.

	2027	2026	2025	2024
Cost Threshold	\$700	\$615	\$590	\$545
Cost Limit	\$14,000	\$12,650	\$12,150	\$11,200

## *Considerations*

- Actuarial review needed of current plan design in addition to subsidy projections
- CMS continues to provide less and less support of RDS
- Transition to fully insured Part D or MAPD plan
  - Elimination of RDS subsidy filing and creditable coverage notification efforts
  - Shifts risk from plan to carrier
  - Financials for EGWP Part D plans still more beneficial than RDS
    - Manufacturer discount and subsidies



# Considerations for Plan Sponsors

# Know Your Medicare Plan Options

*We offer a range of plan products for Medicare-eligible retirees, whether your fund or organization offers group-sponsored benefits or subsidized individual coverage.*

## Group

### Medicare Advantage (MA) & Medicare Advantage Prescription Drug (MAPD)

MA/MAPD plans are offered by Medicare-approved private insurance companies and often include ancillary benefits.

## Group

### Part D Prescription Drug Plans (PDP)

Standalone Part D Prescription Drug Plans (PDPs) help retirees on Medicare cover the cost of their prescription drugs.

## Group

### Supplement to Medicare/ Coordination of Benefits (COB)

Supplement and COB plans provide insured or self-funded coverage that supplements Original Medicare Parts A and B.

## Individual

### Medicare Marketplace

Individual Medicare Advantage plans are available through regional and national health plans. Flexible subsidy options: fully subsidized, partially subsidized, or fully retiree-paid.

# Explore Benefit Design Options

## *Revisit Plan Product, Formulary, and Member Contribution*

### **Plan Product**

- Transition from RDS to Medicare Part D
- Explore opportunity to unbundle medical and Rx

### **Formulary**

Offer à la carte add-ons for non-Part D drugs:

- GLP1s for weight loss only
- Lifestyle drugs
- Cough and cold
- Vitamins and Minerals, etc.

### **Member Contribution**

Consider changes to cost-sharing now that members pay less out of pocket than they paid pre-IRA:

- Medical and Rx deductibles
- Copays for PCPs and specialists
- Copays for urgent care and ER visits
- Copays for out-patient surgery
- Copays for PT
- Copays for Part B drugs

*LaborFirst can work with you and your broker or consultant to identify and implement the best strategy for you and your retirees.*

# Next Steps

## MA, MAPD, Part D, Med Sup Plans

- Evaluate the current market and begin renewal planning now
- Explore Medicare plans and benefit design options: product, formulary, and member contribution
- Gather utilization data now to facilitate a market check

## Retiree Drug Subsidy Plans (RDS)

- Evaluate your RDS plan to ensure you have creditable coverage
- Review subsidy projections with your actuary
- Consider changes to your RDS plan to meet requirements
- Switch to an MAPD or fully insured Part D plan

Meet with LaborFirst to strategize.

# Q&A

Book a meeting with us!

**Book a Meeting  
with one of our  
advisors via QR code or  
sales@LaborFirst.com**

