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CMS Proposes CY 2027 Changes to Medicare Advantage and Part D to Implement Part D Redesign, Update Star Ratings, and Reduce Administrative Burden

On November 25, 2025, the Centers for Medicare & Medicaid Services (CMS) released its Contract Year 2027 Policy and Technical Changes to the Medicare Advantage Program, Medicare Prescription Drug Benefit Program, and Medicare Cost Plan Program Proposed Rule, which contains proposed policies for Medicare Advantage (MA) and Medicare Part D plans in contract year (CY) 2027. See the press release here and the fact sheet here. In this rule, CMS proposes:

- Codifying Part D redesign under the Inflation Reduction Act (IRA),
- Manufacturer Discount Program changes,
- Updating third-party marketing organization (TPMO) practices,
- Revising the Special Enrollment Period (SEP) for provider network changes to simplify access for affected enrollees,
- Updating Star Ratings measures, including removing the Health Equity Index reward,
- Clarifying that cannabis products illegal under applicable federal or state law cannot be offered as Special Supplemental Benefits for the Chronically Ill (SSBCI), and
- Making regulatory changes aimed at reducing administrative burden in MA and Part D programs.

The agency also releases Requests for Information (RFI) on Chronic Condition Special Needs Plan (C-SNP) and Institutional Special Needs Plan (I-SNP) growth and potential future reforms for MA.

This proposed rule is scheduled to be published in the *Federal Register* on November 28, 2025. Comments are due January 26, 2026.

MEDICARE PART D REDESIGN UNDER IRA

Medicare Part D Redesign

Pages 12-64 of the Unpublished Rule

The IRA of 2022 implemented changes to the Medicare Part D benefit, referred to as the Medicare Part D redesign. The redesign changes the payment obligations of beneficiaries, Part D plan sponsors, manufacturers, and CMS. Some changes have already gone into effect, and others will go into effect in 2026. CMS has released guidance outlining implementation of these policies for 2024, 2025, and 2026, as directed by statute.[1,2,3]

CMS proposes revising the regulatory text for Part D benefit redesign changes related to the:

- **Deductible:** CMS proposes to add clarifying language that the deductible does not apply to ACIP-recommended vaccines or covered insulin products.
- **Initial Coverage Limit and Coverage Gap:** CMS proposes revisions to reflect the elimination of the initial coverage limit and the coverage gap beginning in 2025.
- **Annual Out-of-Pocket (OOP) Threshold:** Under the IRA, the annual OOP threshold for 2025 is $2,000. This figure is updated annually for inflation and will be $2,100 for 2026, as outlined in the CY 2026 Rate Announcement. CMS proposes revisions to address how these thresholds change from year to year.
- **Alternative Prescription Drug Coverage Options:** CMS proposes policies to address changes under the IRA that remove certain features previously available under basic alternative Part D plans.

CMS also proposes to codify the CY '25 and CY '26 Part D Redesign Program Guidance[4]:

- **TrOOP policies** established in the Final Part D Redesign Program Instructions for CY 2025 and CY 2026, **without modification.**
- **Policies for drugs not subject to the defined standard deductible** that are in effect for 2026 and 2026, **without modification.**
- **Gross covered prescription drug costs (GCPDC) and allowable reinsurance cost definitions to include costs paid by the Manufacturer Discount Program,** with limited modifications, including a modification to revise the regulatory definition of GCPDC to include "all amounts paid by manufacturers under the Manufacturer Discount Program (as defined at § 432.100)."
- **Reinsurance methodology policies** established in the Final Part D Redesign Program Instructions for CY 2025 and CY 2026, **without modification.**

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[1] CY 2024 Advance Notice and Rate Announcement. https://www.cms.gov/files/document/2024-advance-notice-pdf.pdf
[2] Final CY 2025 Part D Redesign Program Instructions. https://www.cms.gov/files/document/final-cy-2025-part-d-redesign-program-instructions.pdf
[3] Final CY 2026 Part D Redesign Program Instructions. https://www.cms.gov/files/document/final-cy-2026-part-d-redesign-program-instruction.pdf
[4] Id.

- **Selected drug policies** established in the Final Part D Redesign Program Instructions for CY 2026, **without modification.**
- **Medical loss ratio (MLR) policies** established in the Final Part D Redesign Program Instructions for CY 2025 and CY 2026, related to excluding MDP payments, IRA subsidy amount (IRASA), and selected drug subsidy program payments for MLR purposes.

Additionally, CMS proposes conforming edits to the retiree drug subsidy; updates to the low-income cost-sharing subsidy to align with the IRA, including those related to the Federal Poverty Limit (FPL), related to the base beneficiary premium; and codifying statutory amendments related to the base beneficiary premium.

CMS also proposes changes to its specialty tier regulations and annual indexing of Part D benefit parameters using the annual percentage increase in drug expenditures (API) and Consumer Price Index (CPI) related to calculations CMS will make. For the specialty tier regulations, this includes updating the CY 2026 specialty-tier coinsurance thresholds with the maximum allowable specialty-tier coinsurance percentages.[5] The calculation methodology is aligned with what was outlined in prior Part D benefit redesign instructions.

PART D MANUFACTURER DISCOUNT PROGRAM

Part D Manufacturer Discount Program

Pages 65-135 of the Unpublished Rule

CMS is proposing to codify in regulations the sunsetting of the Coverage Gap Discount Program and termination of all Coverage Gap Discount Program agreements as of January 1, 2025, in alignment with the changes made under the IRA. The Coverage Gap Discount Program, which provided manufacturer discounts at the point of sale for non-low-income subsidy (LIS) Part D enrollees in the coverage gap, has been replaced by the Manufacturer Discount Program, which requires manufacturers to provide discounts during the initial and catastrophic coverage phases for applicable Part D drugs.

The proposed rule would formally terminate all Coverage Gap Discount Program agreements, establish applicability dates for the program, and codify requirements for the Manufacturer Discount Program, including conforming changes throughout Part D regulations. CMS notes that these regulatory updates do not change operational aspects of the Manufacturer Discount Program but will reflect the statutory Part D redesign under the IRA.

These proposals are aligned with the approach taken for other sections of the IRA, where policies are initially implemented through guidance and then subsequently revised or codified via rulemaking. **With these proposed changes, CMS is generally maintaining policies that have already been implemented or will be implemented beginning CY 2026, rather than making substantive changes.**

[5] See Table 1 on pages 30-31 of the unpublished rule.

TPMO PRACTICE UPDATES

Pages 189-193, 214-220, and 282-285 of the Unpublished Rule

CMS proposes several changes related to TPMO practices:

- **Disclaimer Requirement:** CMS proposes to modify the TPMO disclaimer requirement found in §§422.2267(e)(41) and 423.2267(e)(41), which currently establish the TPMO's scope of representation, and identify additional information sources for the beneficiary, and require this information to be provided within the first minute of a call. CMS is proposing to require TPMOs to read this disclaimer before discussing any benefits during a call with a beneficiary and to remove State Health Insurance Assistance Programs (SHIPs) as a source of information.
- **Record Retention Requirements:** CMS proposes to reduce the amount of time that MAOs and Part D sponsors are required to retain recordings of marketing and sales calls from 10 years to 6 years. CMS is also considering alternatives to this proposal.
- **Limitation on Dual Eligible Special Needs Plan (D-SNP)-Only Contracts Submitting Materials under the Multi-Contract Entity (MCE) Process:** CMS proposes to add a requirement that MAOs offering D-SNPs with "exclusively aligned enrollment" subject to §422.107(e) must submit all relevant materials in the Health Plan Management System (HPMS) under the MAO's contract number. MAOs and TPMOs cannot submit materials for the contract under the MCE number.

These proposals reflect CMS's interest in modernizing and updating practices related to TPMOs and related requirements on the side of MAOs and Part D sponsors.

SPECIAL ENROLLMENT PERIOD CHANGES

Pages 159-169 of the Unpublished Rule

CMS is proposing updates to the SEP for Significant Change in Provider Network to make it easier for enrollees affected by provider terminations to change plans. Under the proposal, affected enrollees would be eligible for the SEP without requiring CMS or the MA plan to determine that the network change is "significant." CMS also proposes that MA organizations provide clear notification of SEP eligibility to affected enrollees within the required provider termination notice. These notices would then include information about the Annual Coordinated Election Period and the MA Open Enrollment Period, SEP eligibility, Medigap guaranteed issue rights, and guidance for individuals with employer-based coverage to contact their benefits administrator.

In addition, CMS proposes to codify existing policy that certain SEPs require prior CMS approval, including those related to contract violations, CMS sanctions, loss of creditable coverage, and other exceptional circumstances. Beneficiaries may continue to receive

assistance from agents or brokers when using CMS-operated election mechanisms, but MA organizations would not be able to submit elections for these SEPs without CMS approval.

These proposals would create a one-time burden on MA organizations to update their network change notice to be in compliance with the updated requirements.

STAR RATINGS UPDATES

Pages 238-254 of the Unpublished Rule

CMS proposes updates to MA Part C and Part D Plan Star Ratings, including:

- **Removal of 12 Star Ratings Measures:** CMS proposes to remove 12 measures across Part C and D star ratings. All measure removals would be effective for the 2029 Star Ratings/2027 measurement year.[6]
- **Addition of Depression Screening and Follow-Up Measure:** This new Part C Star Ratings measure would be added for the 2029 Star Ratings/2027 measurement year.
- **Request for Information:** The agency requests wide-ranging feedback on the Star Ratings, particularly the addition of new outcome measures aligned with Make America Healthy Again (MAHA) priorities.
- **Removal of the Health Equity Index Reward and Continuation of the Historical Reward Factor:** CMS proposes to remove the Health Equity Index (HEI) reward (also called the Excellent Health Outcomes for All (EHO4all reward)) and continue the previous historical reward factor it was set to replace.

CMS also proposes to clarify language regarding timely retirement of measures, and to codify current practices of providing sample measure data to MA organizations and Part D plans.

These changes reflect the Trump administration's focus on restructuring quality programs in line with the MAHA agenda and broader regulatory reform initiatives.

CLARIFICATION THAT ILLEGAL CANNABIS PRODUCTS MAY NOT BE OFFERED AS SSBCI

Pages 155-158 of the Unpublished Rule

CMS proposes clarifying that cannabis products illegal under federal or state law cannot be offered as SSBCI. MA organizations would, however, be allowed to offer certain hemp-derived ingredients, such as hulled hemp seed, hemp seed protein powder, and hemp seed oil, as supplemental benefits if they comply with applicable law and demonstrate a reasonable expectation of health benefit. FDA-approved drugs, such as Epidiolex, would remain under the

[6] For a full list of proposed removals, see Table 1 on page 244 of the unpublished rule.

Part D benefit and could not be offered as a Part C supplemental benefit. Products with delta-9 THC above 0.3 percent, or those that do not meet the amended federal hemp definition effective November 12, 2026,[7] would remain prohibited. CMS is seeking comments on the proposal and may consider revisions to the final policy based on comments received.

This clarification aligns supplemental benefit policies with federal law while allowing plans to safely offer certain hemp-derived products that may benefit chronically ill beneficiaries.

PROPOSALS AIMED AT REDUCING ADMINISTRATIVE BURDEN AND STREAMLINING MA AND PART D PROGRAMS

Pages 301-325 of the Unpublished Rule

Consistent with President Trump's Executive Order, "Unleashing Prosperity through Deregulation,"[8] CMS is proposing regulatory changes to reduce administrative burden and streamline MA and Medicare Part D programs. Key proposals include:

- **Account-Based Plans**: CMS proposes to exempt health reimbursement arrangements (HRA) and similar account-based plans from reporting whether their coverage is creditable.
- **Dual-Eligible Supplemental Benefits Pathway**: CMS proposes to remove the regulatory pathway that allows D-SNPs to offer supplemental benefits. CMS states the same benefits can be provided through other established mechanisms.
- **Annual Health Equity Analysis**: CMS proposes to remove the requirement that utilization management committees conduct and publicly post an annual health equity analysis of prior authorization use, as CMS believes it is burdensome and does not provide meaningful additional information.
- **Quality Improvement Program:** CMS proposes to rescind the requirement that quality improvement programs include activities specifically addressing health disparities, while maintaining all other quality improvement obligations.

The agency also makes several other proposals, such as changes to mid-year notices of unused benefits, cultural competency regulations, dual-eligible plan sanctions, and customer call center requirements for the Limited Income Newly Eligible Transition (LI NET) program. These changes collectively aim to simplify regulations, reduce administrative burdens, and maintain access to high-quality care for Medicare beneficiaries.

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[7] As revised under the Continuing Appropriations, Agriculture, Legislative Branch, Military Construction and Veterans Affairs, and Extensions Act, 2026.

[8] 90 FR 9065 https://www.federalregister.gov/d/2025-02345

Overall, these proposals reflect the administration's priority on deregulation, reducing complexity, and focusing regulatory oversight on core program requirements rather than equity-driven mandates.

REQUESTS FOR INFORMATION

- **C-SNP & I-SNP Growth and Dually Eligible Individuals (Pages 286-300 of the Unpublished Rule):** Enrollment in C-SNPs and I-SNPs, particularly among dually eligible individuals, has grown substantially, raising concerns about potential impacts on Medicare-Medicaid integration and care coordination. CMS requests public comment on these trends, including establishing a State Medicaid agency contract (SMAC) requirement similar to existing requirements for D-SNPs, increasing care coordination, applying D-SNP look-alike contracting limitations, and serving special populations such as individuals with serious mental illness or substance use disorders.

- **Future Directions in MA (Pages 326-336 of the Unpublished Rule):** In light of significant growth of MA over the past two decades, CMS seeks feedback on potential reforms to the program, including improving risk adjustment accuracy and fairness, reforming Star Ratings and Quality Bonus Payments, and promoting well-being, preventive care, and nutrition to support long-term health outcomes. CMS will not formally respond to comments but will use the input to shape future rulemaking and potential Innovation Center model tests.

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