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CENTER FOR MEDICARE

DATE: July 9, 2026

TO: All Medicare Advantage Organizations, Prescription Drug Plans, Cost Plans, and PACE Organizations

FROM: Shruti Rajan, Acting Director, Medicare Plan Payment Group

SUBJECT: Calendar Year (CY) 2027 Risk Adjustment Implementation Information

This HPMS memo provides information on the CY 2027 risk adjustment models and normalization factors, previously described in the CY 2027 Rate Announcement,[1] as well as updates to the Monthly Membership Report (MMR) and Model Output Reports (MORs).

I. CY 2027 Risk Adjustment

Risk Adjustment for Organizations other than PACE

- CMS-HCC Risk Adjustment Model: For CY 2027, CMS will continue to use the 2024 CMS-HCC model to calculate risk scores.
- CMS-HCC ESRD Risk Adjustment Model: For CY 2027, CMS will continue to use the 2023 ESRD model to calculate risk scores for beneficiaries in dialysis, transplant, and post-graft status.
- RxHCC Risk Adjustment Model: For CY 2027, CMS will calculate risk scores using the 2027 RxHCC model (2023/2024 calibration), which has separate continuing enrollee model segments for beneficiaries in Medicare Advantage prescription drug (MA-PD) plans and stand-alone Medicare Part D prescription drug plans (PDPs).

Risk Adjustment for PACE Organizations

- CMS-HCC Risk Adjustment Models: For CY 2027, CMS will calculate risk scores as a blend of 50 percent of the risk score calculated using the 2024 CMS-HCC model with diagnoses from encounter data and FFS claims only and 50 percent of the risk score calculated using the 2017 CMS-HCC model with diagnoses from the risk adjustment processing system (RAPS), encounter data, and FFS claims.

[1] CY 2027 Rate Announcement

- CMS-HCC ESRD Risk Adjustment Models: For CY 2027, CMS will calculate risk scores as a blend of 50 percent of the risk score calculated using the 2023 ESRD model with diagnoses from encounter data and FFS claims only and 50 percent of the risk score calculated using the 2019 ESRD model with diagnoses from RAPS, encounter data, and FFS claims.

- RxHCC Risk Adjustment Models: For CY 2027, CMS will calculate risk scores as a blend of 50 percent of the risk score calculated using the MA-PD segment of the 2027 RxHCC model (2023/2024 calibration) with diagnoses from encounter data and FFS claims only and 50 percent of the risk score calculated using the 2027 RxHCC model (2018/2019 calibration) with diagnoses from RAPS, encounter data, and FFS claims.

II. Risk Adjustment Model Normalization Factors

CMS-HCC Risk Adjustment Model Normalization Factors: For CY 2027, for all CMS-HCC risk adjustment models, CMS calculated the normalization factors using a four-year simple linear regression methodology and average FFS risk scores from 2022 through 2025.

- 2024 CMS-HCC Model: 1.079

- 2017 CMS-HCC Model: 1.202

- 2023 ESRD Dialysis CMS-HCC Model: 1.072

- 2019 ESRD Dialysis CMS-HCC Model: 1.145

- 2023 ESRD Functioning Graft CMS-HCC Model: 1.119

- 2019 ESRD Functioning Graft CMS-HCC Model: 1.209

RxHCC Risk Adjustment Model Normalization Factors: For CY 2027, for the RxHCC models, CMS is continuing to implement separate normalization factors for MA-PD plans and PDPs. For the 2027 RxHCC model calibrated on 2023/2024 data, CMS calculated normalization factors using the multiple linear regression methodology and average risk scores from 2020 through 2024 with a flag that identifies whether an average Part D risk score is based on dates of service before or after the onset of the COVID-19 pandemic. For the RxHCC model used solely for PACE organizations (the 2027 RxHCC model calibrated on 2018/2019 data), CMS calculated the normalization factor using the historical linear slope methodology and average risk scores from 2016 through 2020.

- 2027 RxHCC model (2023/2024 calibration):
    - MA-PD plans: 1.109
    - PDPs: 1.005
- 2027 RxHCC model (2018/2019 calibration) for PACE organizations only: 1.237

III. Sources of Diagnoses

For CY 2027, CMS finalized changes to the sources of diagnoses for risk score calculation:

- For PACE and non-PACE organizations: Diagnoses from audio-only services identified using the "93" or "FQ" modifier will be excluded from risk score calculation. Specifically, diagnoses from professional and outpatient encounter data, chart review records (CRRs), and FFS claims with 2026 dates of service will be excluded if all risk adjustment eligible CPT/HCPC line items associated with the record/claim have a modifier of "93" or "FQ."
    - In instances where one or more risk adjustment eligible service lines did not have modifier "93" or "FQ," all header diagnoses will be included for risk score consideration.
- For non-PACE organizations: Diagnoses from unlinked CRRs for 2026 dates of service will be excluded from risk score calculation.
    - CMS will allow an exception for beneficiaries who switch from one Medicare Advantage contract to another in a different parent organization.

To streamline implementation and allow organizations sufficient time to acclimate to the unlinked CRR and audio-only diagnosis exclusions, CMS will delay implementation until the CY 2027 Midyear risk adjustment model run.

IV. Risk Adjustment Reports

a. 2027 MAO-004 Report Updates:

CMS is working on updates to the MAO-004 report to address the diagnosis exclusions that will be implemented for CY 2027. Please refer to the Frequently Asked Questions (FAQs) below for additional details.

b. 2027 Monthly Membership Report (MMR) Updates:

There will be no updates to the MMR for CY 2027.

c. CY 2027 Model Output Reports (MORs)

CMS distributes two Model Output Data Files – one for Part C and one for Part D. Within the data files, there are MORs with unique record types that correspond to each model being run for payment. We distribute these MORs to plans to identify the HCCs/RxHCCs used to calculate risk scores for each of their enrolled beneficiaries. The following table provides information regarding the MORs that will be generated for the CY 2027 Initial, Midyear, and Final reconciliation payments.

There are no new MOR record types for CY 2027.

RxHCC MOR record types 6 and 7, used for the CY 2026 RxHCC models, will be used for the CY 2027 RxHCC models (MOR record type 6 for the 2027 RxHCC, 2023/2024 calibrated model and MOR record type 7 for the 2027 RxHCC, 2018/2019 calibrated model).

The record types for CY 2027 are outlined as follows:

Organizations other than PACE

CY 2027 Model Run Data Source	Model	Model Version	MOR Record Type
MOR Record Types (Encounter Data and FFS Based HCCs/RxHCCs)	2024 CMS-HCC	V28	M
	2023 CMS-HCC ESRD (Dialysis and Functioning Graft)	V24	L
	2027 RxHCC (2023/2024 calibration)*	V08	6*

PACE Organizations

CY 2027 Model Run Data Source	Model	Model Version	MOR Record Type
MOR Record Types (Encounter Data and FFS Based HCCs/RxHCCs)	2024 CMS-HCC	V28	M
	2023 CMS-HCC ESRD (Dialysis and Functioning Graft)	V24	L
	2027 RxHCC (2023/2024 calibration)*	V08	6*
MOR Record Types (RAPS, Encounter Data, and FFS Based HCCs/RxHCCs)	2017 CMS-HCC	V22	K
	2019 CMS-HCC ESRD (Dialysis and Functioning Graft)	V21	B
	2027 RxHCC (2018/2019 calibration)**	V08	7**

* MOR Record Type 6 uses the 2027 RxHCC model calibrated on 2023/2024 (MA-PD and PDP) diagnoses and expenditures.
** MOR Record Type 7 uses the 2027 RxHCC model calibrated on 2018/2019 diagnoses and expenditures.

V. CY 2027 Risk Adjustment Model Software Update

CMS is continuing its work towards transitioning the risk adjustment model software away from SAS by CY 2028. In addition to the typical SAS software, we have made Python software available for the CY 2027 Initial software, with the CY 2027 Midyear/Final software to follow later in 2026. From CY 2028 Initial software moving forward we intend to only create and release risk adjustment model software in Python. Risk adjustment model software can be found at CMS.gov.

The availability of Risk Adjustment Model Software for upcoming model runs is outlined below:

Model Run	SAS Software Package	Python Software Package
CY 2027 Initial	Yes	Yes
CY 2027 Midyear/Final	Yes	Yes
CY 2028 Initial	No	Yes

VI. FAQs

Q: How will CMS implement the exclusion of diagnoses from unlinked chart review records (CRRs), including how these diagnoses are identified, processed, and reflected in risk score calculations and reporting?

A: Diagnoses from unlinked CRRs will not be excluded from risk score calculations during the CY 2027 Initial model run. Exclusion of diagnoses from unlinked CRRs (except for PACE organizations and parent organization switchers) will begin with the CY 2027 Midyear model run.

For the months of January through September 2026, CMS will issue two sets of MAO-004 reports. The first set will not reflect the exclusion of diagnoses from unlinked CRRs, consistent with the risk score calculations in the CY 2027 Initial model run. The second set (including reissued reports for January through September submissions) will be released during November 2026 and will reflect the exclusion of unlinked CRR diagnoses, consistent with the risk score calculations in the CY 2027 Midyear model run. Beginning with the November report for all submissions during October 2026, MAO-004 reports will reflect the exclusion of unlinked CRR diagnoses, consistent with risk score calculations in the CY 2027 Midyear and Final model runs.

Q: How will diagnosis exclusions affect risk scores and payments across runs?

A: Diagnoses from unlinked CRRs and audio-only encounters with the "93" or "FQ" modifier will not be excluded from risk score calculations during the CY 2027 Initial model run. Payments made for January through June of CY 2027 will be based on the CY 2027 Initial model run and thus will not reflect the exclusion of diagnoses from unlinked CRRs or audio-only encounters with the "93" or "FQ" modifier. Diagnoses from unlinked CRRs (except for PACE

organizations and parent organization switchers) and audio-only encounters with the "93" or "FQ" modifier will be excluded from risk score calculations during the CY 2027 Midyear model run. Payments made for July through December of CY 2027 will be based on the CY 2027 Midyear model run and thus will reflect the exclusion of diagnoses from unlinked CRRs (except for PACE organizations and parent organization switchers) and audio-only encounters with the "93" or "FQ" modifier. In addition, any retroactive adjustments to January through June payments due to risk score changes between the Initial and Midyear runs will be made during July of 2027.

Q: What diagnoses from audio-only services are excluded from risk adjustment, how does this apply across different provider types, and how should MA and PACE organizations ensure compliance?

A: Diagnoses must result from face-to-face encounters to be considered for risk adjustment. Beginning with the CY 2027 Midyear model run, diagnoses from audio-only encounter records or claims with a modifier of "93" or "FQ" will be excluded from risk score calculation. Specifically, diagnoses from professional and outpatient encounter data, CRRs, and FFS claims with 2026 dates of service will be excluded if all risk adjustment eligible CPT/HCPC line items associated with the record/claim have a modifier of "93" or "FQ." In instances where one or more risk adjustment eligible service lines did not have modifier "93" or "FQ," all header diagnoses will be included for risk score consideration.

The exclusion will apply across all provider types. To ensure compliance, MA and PACE organizations should ensure correct modifier use and provider education while continuing to submit encounters following CMS requirements.

Q: How will exclusions be reflected in MAO-004 reports?

A: For the months of January through September 2026, CMS will issue two sets of MAO-004 reports. The first set will not reflect the exclusion of diagnoses from unlinked CRRs or audio-only encounters with a modifier of "93" or "FQ." These reports will be reissued during November 2026 and will reflect the exclusion of diagnoses from unlinked CRRs (except for PACE plans and parent organization switchers) and audio-only encounters with a modifier of "93" or "FQ." Beginning with the November report for all submissions during October 2026, MAO-004 reports will reflect the exclusion of diagnoses from unlinked CRRs (except for PACE plans and parent organization switchers) and audio-only encounters with a modifier of "93" or "FQ." The updated MAO-004 report will add new Allow/Disallow Reason Code "U" to indicate diagnoses that are disallowed due to the exclusion of diagnoses from unlinked CRRs that do not meet the parent organization switcher exception (applies to non-PACE organizations only). The audio-only exclusion will be encompassed under the current Allow/Disallow reason code "H" for both PACE and non-PACE submissions.

Q: What are the expectations for CRR linking?

A: Plans should continue following existing guidance for CRR linking in the Encounter Data Submission and Processing Guide and the MAO-004 User Guide.

Q: How does CMS define and operationalize the parent organization switcher exception for unlinked CRRs, including how beneficiary eligibility is determined and how enrollment scenarios are evaluated?

A: Diagnoses from unlinked CRRs will be considered for risk adjustment when a beneficiary switches from a Medicare Advantage contract within one parent organization to a Medicare Advantage contract in a different parent organization. CMS will operationalize this by verifying that the parent organization effective on the date of service is different from the parent organization effective at the time of submission. Diagnoses from unlinked CRRs that are verified as being for a beneficiary who switched from one Medicare Advantage contract to another in a different parent organization will be indicated on the MAO-004 report as allowable.

Q: What years will the exclusion of diagnosis from audio-only encounters with the "93" or "FQ" modifier apply to?

A: As finalized in the CY 2027 Rate Announcement, the "93" and "FQ" modifiers will be used in the filtering logic such that diagnoses from audio-only telehealth services with a "93" or "FQ" modifier will be excluded from risk score calculation for payment year 2027 (2026 dates of service). This change will be implemented in the CY 2027 Midyear risk adjustment model run. MAO-004 reports will be reissued during November 2026 and will reflect the exclusion of diagnoses from audio-only encounters with a modifier of "93" or "FQ." This change is for CY 2027 (2026 dates of service) and does not change the filtering logic or submission guidance for prior years.

Q: What tools and resources are available to support CY 2027 implementation?

A: The CY 2027 model software has been released in both SAS and Python formats on CMS.gov. The CSSC Operations website contains a PowerPoint presentation of the Risk Adjustment Policy and Operations User Group for the CY 2027 Rate Announcement. Plans should monitor HPMS, CMS.gov, and csscoperations.com for updates to software and guidance documents, including the Encounter Data Submission and Processing Guide, the MAO-004 User Guide, and the Plan Communications User Guide. The Plan Communications User Guide (PCUG) includes all MOR record layouts that will be used for CY 2027.

Policy questions related to CY 2027 risk adjustment should be submitted to the risk adjustment policy mailbox (riskadjustmentpolicy@cms.hhs.gov).

Operational questions related to the MORs should be submitted to the risk adjustment operations mailbox (riskadjustmentoperations@cms.hhs.gov).

Questions related to the MMR and MARx should be submitted to the MAPD Helpdesk (mapdhelp@cms.hhs.gov).

Please use **CY 2027 Risk Adjustment Implementation Information** as the subject in all communications regarding this memo.

VII. Addendum: Risk score changes that can occur for CY 2027

Below is a summary of how risk scores are updated throughout the year.

January 2027	• Initial risk scores are applied in payment. • Initial risk scores are based on diagnoses from July 2025 – June 2026 dates of service. • Community versus long-term institutional (LTI) status is based on the August 2026 LTI status. • Low income status is based on the January 2027 low income subsidy (LIS) status.
On or about July 2027	• Midyear risk scores are applied in payment. • Midyear risk scores are based on diagnoses from January 2026 – December 2026 dates of service. • Community versus LTI status is updated, based on the February 2027 LTI status. • Low income status is determined on a month-by-month basis using the LIS status of each payment month. • A beneficiary's factor type used after the Midyear risk score may be different from their Initial risk score because of changes in community/LTI status and/or low income status. • If a beneficiary's Midyear risk score differs from their Initial risk score, the Midyear risk score is used from July through the end of the year, and payments for January – June are adjusted.
On or about June 2028	• Final risk scores are applied in payment. • Final risk scores are based on diagnoses from January 2026 – December 2026 dates of service. • Community versus LTI status is determined on a month-by-month basis. • Low income status is determined on a month-by-month basis using the LIS status of each payment month. • A beneficiary's Final risk score may be different from their Midyear risk score because of changes in community/LTI status and/or low income status.