



MEDICARE DRUG REBATE AND NEGOTIATIONS GROUP

DATE: March 6, 2026

TO: Interested Parties

FROM: Lara Strawbridge, Acting Director, Medicare Drug Rebate and Negotiations Group

SUBJECT: Medicare Prescription Drug Inflation Rebate Program: Impact of Missing October 2025 CPI-U Data on Medicare Part B Inflation Rebate Program in Second Quarter of 2026

The Bureau of Labor Statistics (BLS) did not release Consumer Price Index for all Urban Consumers (CPI-U) survey data for October 2025.¹ As a result of the October 2025 CPI-U data being unavailable, multiple interested parties, including drug companies and a pharmaceutical industry trade association, have asked CMS to clarify in a timely manner how the agency will calculate inflation rebates that would otherwise use the October 2025 CPI-U data. As explained below, to respond to these repeated requests and to promote transparency with regard to the most immediate calculations for the inflation rebate program, including in particular beneficiary coinsurance calculations, CMS is affirming its intent to use November 2025 CPI-U data, in place of the missing October 2025 CPI-U data, in the agency’s calculations relating to the Part B Inflation Rebate Program for the second quarter of 2026 (i.e., April 1 to June 30). Section 1847A(i)(5) of the Social Security Act (“the Act” or “SSA”) and 42 CFR 427.201(b) provide that, for each calendar quarter, CMS determines whether inflation-adjusted beneficiary coinsurance applies for a Part B rebatable drug based, in part, on whether the relevant payment amount for such drug for such drug exceeds the “inflation-adjusted payment amount” for that quarter. Similarly, section 1847A(i)(5) of the Act and 42 CFR 427.201(b) provide that CMS calculates any applicable inflation-adjusted beneficiary coinsurance for such calendar quarter based, in part, on its determination of the inflation-adjusted payment amount for that quarter. Under section 1847A(i)(3)(C) of the Act and 42 CFR 427.302(g), the inflation-adjusted payment amount for each quarter is calculated using, among other inputs, the “rebate period CPI-U.” Additionally, for each reporting quarter, the total rebate amount for a Part B rebatable drug is calculated based on a number of inputs, including the rebate period CPI-U. *See* SSA § 1847A(i)(3). In turn, section 1847A(i)(3)(F) of the Act states that the rebate period CPI-U is defined as, “the greater of the benchmark period CPI-U and the [CPI-U] for the first month of the calendar quarter that is two calendar quarters prior to [the calendar quarter for which rebates are

¹ <https://www.bls.gov/cpi/additional-resources/2025-federal-government-shutdown-impact-cpi.htm#:~:text=Yes,in%20appropriations%E2%80%9D%20will%20be%20included.>

being calculated].” *See also* 42 CFR 427.302(f). Therefore, in the ordinary course, for inflation-adjusted beneficiary coinsurance for the second quarter of 2026 and for Part B Rebate Reports for such quarter, the rebate period CPI-U for each Part B rebatable drug by billing and payment code would have been expected to be the greater of the rebatable drug’s benchmark period CPI-U and the CPI-U for the first month of the calendar quarter that is two calendar quarters prior to the second quarter of 2026 (i.e., October 2025).

The missing October 2025 CPI-U data has introduced uncertainty as to how inflation-adjusted beneficiary coinsurance will be calculated and whether manufacturers will be incurring inflation liability with respect to units of Part B rebatable drugs that are furnished during the second quarter of April 2026. Since November 2025, manufacturers have repeatedly requested that CMS clarify how the agency will determine the rebate period CPI-U in a timely manner. In this memorandum, CMS affirms that it will address this gap in the October 2025 CPI-U data that would otherwise be used for Part B rebate and beneficiary coinsurance calculations for the second quarter of 2026 by using the November 2025 CPI-U data issued by BLS in place of the missing October 2025 CPI-U data because the November 2025 CPI-U is the first month with available CPI-U data within the relevant quarter as established by statute.

This memorandum is issued in accordance with section 1847A(c)(5)(C) of the Act which permits CMS to implement, by program instruction or otherwise, any of the provisions of section 1847A of the Act. CMS is exercising this program instruction authority to clarify its policy with respect to the rebate period CPI-U for the second quarter of 2026 without notice-and-comment rulemaking.

Moreover, CMS notes it would be impracticable to engage in notice-and-comment rulemaking to affirm this policy in advance of statutory deadlines by which time CMS must have determined the rebate period CPI-U for the second quarter of 2026. For example, pursuant to section 1847A(i)(5) of the Act, CMS must determine whether to apply inflation-adjusted beneficiary coinsurance, and, if applicable, calculate such coinsurance, for Part B rebatable drugs with respect to the second quarter of 2026 prior to the beginning of such quarter. It would be impracticable for CMS to engage in notice-and-comment rulemaking to address this issue prior to the beginning of April 2026. CMS notes further that the Inflation Rebate Program has been a rider on the Physician Fee Schedule, which is statutorily required to be published as a final rule by November 1 of a given calendar year, with an effective date of January 1 of the following year, or 60 days after publication. The timing of this final rule would be after CMS’ deadline to publish the April 2026 Medicare Part B Payment Limit files, including Part B rebatable drugs subject to a coinsurance adjustment, and after CMS’ statutory deadline of December 31, 2026, for issuing the Rebate Reports for Part B rebatable drugs for the second quarter of 2026. CMS believes that the foregoing would establish good cause to proceed without engaging in notice-and-comment rulemaking even if such rulemaking were required in this instance.

CMS notes that the absence of October 2025 CPI-U data is also relevant to calculating Part B and Part D inflation rebate amounts that will be reported to manufacturers in 2027 and later. CMS intends to address the broader need for a gap-filling methodology for the Medicare Prescription Drug Inflation Rebate Program as part of future rulemaking through the Physician Fee Schedule.

Please direct questions regarding this memo to IRAREbateandNegotiation@cms.hhs.gov.