DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)
Centers for Medicare & Medicaid Services (CMS)
7500 Security Boulevard
Baltimore, Maryland 21244-1850

CENTER FOR MEDICARE

DATE: July 28, 2026

TO: All Medicare Advantage Organizations and Medicare Prescription Drug Plan Sponsors

FROM: John Brooks
Deputy Administrator and Director, Center for Medicare

SUBJECT: Annual Release of Part D National Average Monthly Bid Amount and Other Part C & D Bid Information

The Centers for Medicare & Medicaid Services (CMS) is announcing today that the Calendar Year (CY) 2027 Part D national average monthly bid amount is $296.05, the Part D base beneficiary premium is $41.33, and the *de minimis* amount is $2. Please see the attached notice for more detailed information concerning the CY 2027 Part D national average monthly bid amount, the Medicare Part D base beneficiary premium, the Part D regional low-income premium subsidy amounts, the Medicare Advantage (MA) regional Preferred Provider Organization (PPO) benchmarks, the MA employer group waiver plan (EGWP) regional payment rates, and the Part D calendar year EGWP prospective reinsurance amount.

CMS is also announcing the conclusion of the Part D Premium Stabilization Demonstration (first implemented in CY 2025). For CY 2027, CMS analysis of the bids submitted indicates that Part D plan sponsors had sufficient experience under the redesigned Part D benefit to support their assumptions in developing prescription drug plan (PDP) bids. Therefore, CMS will discontinue the demonstration at the end of CY 2026 to return the program to operating under traditional market conditions in CY 2027.

Detailed information regarding the *de minimis* amount is attached in a separate memo, which contains instructions and timelines for completing rebate reallocation and volunteering to waive the *de minimis* amount. All Part D sponsors will have from Tuesday, July 28, 2026, until 11:59 PM PDT on Thursday, August 6, 2026, to complete rebate reallocation. Note that bids may be resubmitted for rebate reallocation multiple times prior to the August 6 deadline. Following the conclusion of the rebate reallocation window, Part D sponsors will have from Friday, August 7, 2026, until 11:59 PM PDT on Tuesday, August 11, 2026, to inform CMS of their intent to participate in the voluntary *de minimis* program.

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Centers for Medicare & Medicaid Services
7500 Security Boulevard
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OFFICE OF THE ACTUARY

DATE: July 28, 2026

TO: All Medicare Advantage Organizations and Medicare Prescription Drug Plan Sponsors

FROM: Jennifer Lazio, Director, Parts C & D Actuarial Group

SUBJECT: Annual Release of Part D National Average Monthly Bid Amount and other Part C & D Bid Related Information

Today we are releasing the Calendar Year (CY) 2027 Part D national average monthly bid amount, the Medicare Part D base beneficiary premium, the Part D regional low-income premium subsidy amounts, the Medicare Advantage (MA) regional Preferred Provider Organization (PPO) benchmarks, the MA employer group waiver plan (EGWP) regional payment rates, and the Part D calendar year EGWP prospective reinsurance amount.

Below we describe the determination of these amounts. The regional low-income premium subsidy amounts and the regional MA benchmarks can be downloaded from the Centers for Medicare & Medicaid Services (CMS) web site at: https://www.cms.gov/files/document/regional-rates-and-benchmarks-2027.pdf.

Part D National Average Monthly Bid Amount

CMS has calculated the national average monthly bid amount for CY 2027 in accordance with section 1860D-13(a)(4) of the Social Security Act ("the Act"), codified in 42 CFR § 423.279. For each coverage year, CMS computes the national average monthly bid amount from the applicable Part D plan bid submissions in order to calculate the base beneficiary premium, as provided in 42 CFR § 423.286(c).

The national average monthly bid amount is a weighted average of the standardized bid amounts for each prescription drug plan (PDP) and MA prescription drug (MA-PD) plan described in section 1851(a)(2)(A)(i) of the Act. The weights are based on the number of enrollees in each plan. The weight for each plan bid is a percentage calculated with the numerator equal to the number of Part D eligible individuals enrolled in the plan in the reference month (as defined in 42 CFR § 422.258(c)(1)) and the denominator equal to the total number of Part D eligible individuals enrolled in the reference month in all applicable Part D plans. Per section 1860D-13(a)(4)(A) of the Act, the calculation does not include Part D bids submitted by Medicare Medical Savings Account (MSA) plans, MA private fee-for-service plans, specialized MA plans for special needs individuals, PACE programs under section 1894, any "fallback" prescription drug plans, and plans established through reasonable cost reimbursement contracts under section

1876(h) of the Act ("Cost Plans"). The reference month for the CY 2027 calculation was June 2026.

The national average monthly bid amount for CY 2027 is $296.05.

As discussed in 42 CFR 423.272(e), if a bid's total Part D premium is less than $0 under the published national average monthly bid amount, CMS will negotiate the incorporation of the negative Part D basic premium amount into the bid. Specifically, CMS will require the plan sponsor to achieve a $0 total Part D premium during rebate reallocation by either: (1) increasing the Part D supplemental premium to offset the negative Part D basic premium, for bids that already include an enhanced alternative (EA) benefit; or (2) adding an EA benefit with a Part D supplemental premium sufficient to offset the negative Part D basic premium, for bids that do not already include an EA benefit. In this situation, in accordance with the guidance provided during the May 14, 2026, Actuarial User Group Call, if a plan sponsor enhances benefits to the 70% Defined Standard (DS) Out-of-Pocket-Cost (OOPC) threshold and a $0 total Part D premium has not been achieved, increases to the Part D gain/loss margin are permitted. For basic PDPs and Platino plans that do not have the option to become EA, plan sponsors may increase Part D gain/loss margin to achieve a $0 total Part D premium without enhancing Part D benefits.

If a bid's total Part D premium is greater than or equal to $0 under the published national average monthly bid amount, the plan sponsor must follow the Rebate Reallocation Guidelines as set forth in Appendix E of the Instructions for Completing the Medicare Advantage Bid Pricing Tools for Contract Year 2027. In this situation, plan sponsors are not permitted to make changes to the Part D Bid Pricing Tool (BPT) during rebate reallocation. Accordingly, the Part D gain/loss margin may not be reduced, even in cases where margin flexibility was used to achieve a $0 total Part D premium at the initial submission.

Part D Base Beneficiary Premium

Section 1860D-13(a) of the Act, as amended by section 11201 of the Inflation Reduction Act of 2022 (IRA), specifies the methodology for calculating the base beneficiary premium (BBP). Specifically, the BBP for 2024 through 2029 is equal to the lesser of the following calculations:

A. The prior year's BBP increased by 6 percent.

B. The product of the beneficiary premium percentage and the national average monthly bid amount. The beneficiary premium percentage ("applicable percentage") is a fraction, with a numerator of 25.5 percent and a denominator equal to 100 percent minus a percentage equal to (i) the total reinsurance payments that CMS estimates will be paid for the coverage year, divided by (ii) that amount plus the total payments that CMS estimates will be paid to Part D plans based on the standardized bid amount during the year, taking into account amounts paid by both CMS and plan enrollees.

The result of **calculation A** is $41.33.

$$2026 \text{ BBP} \times 1.06 \text{ or } \$38.99 \times 1.06 = \$41.33$$

The result of **calculation B** is $94.06.

Therefore, the Part D BBP for CY 2027 is $41.33.[1]

In accordance with section 1860D-13(a) of the Act, codified in 42 CFR § 423.286, Part D beneficiary premiums are calculated as the BBP adjusted by the following factors: (i) the difference between the plan's standardized bid amount and the national average monthly bid amount; (ii) adjusted by any supplemental premium; (iii) an increase for any late enrollment penalty; (iv) a decrease for MA-PD plans that apply MA A/B rebates to buy down the Part D premium; and (v) elimination or decrease with the application of the low-income premium subsidy.

Part D Regional Low-Income Premium Subsidy Amounts

In accordance with 42 CFR § 423.780, low-income subsidy (LIS) individuals are entitled to a premium subsidy equal to 100 percent of the premium subsidy amount. A Part D plan's premium subsidy amount is the lesser of the plan's premium for basic coverage or the regional low-income premium subsidy amount (LIPSA).

The regional LIPSAs are the greater of the low-income benchmark premium amount for a PDP region or the lowest monthly beneficiary premium for a prescription drug plan that offers basic prescription drug coverage in the PDP region. In accordance with section 1860D-14 of the Act and the final rule "Modification to the Weighting Methodology Used to Calculate the Low-Income Benchmark Amount," which appeared in the Federal Register (73 FR 18176) on April 3, 2008, the low-income benchmark premium amount for a PDP region is a weighted average of the monthly beneficiary premiums for basic prescription drug coverage in the region. The weight for each PDP and MA-PD plan is a percentage calculated with the numerator equal to the number of Part D LIS-eligible individuals enrolled in the plan in the reference month and the denominator equal to the total number of Part D LIS-eligible individuals enrolled in all PDP and MA-PD plans in a Part D region in the reference month.

The Patient Protection and Affordable Care Act of 2010 amended the statute governing the calculation of the LIS benchmark premium amount (see section 3302, as amended by section 1102 of the Health Care and Education Reconciliation Act of 2010). As amended, section 1860D-14(b)(2)(B)(iii) of the Act requires the calculation of the weighted average premium amounts described above using MA-PD basic Part D premiums before the application of Part C rebates each year.

The calculation does not include bids submitted by MA private fee-for-service plans, PACE programs under section 1894, and Cost Plans. The reference month for the CY 2027 calculation was June 2026.

The regional low-income premium subsidy amounts are provided in the file Regional Rates and Benchmarks 2027, which can be accessed on the CMS website through the following link: https://www.cms.gov/files/document/regional-rates-and-benchmarks-2027.pdf.

[1] As noted above, the actual Part D premiums paid by individual beneficiaries equal the BBP adjusted by several factors. In practice, premiums vary significantly from one Part D plan to another and seldom equal the base beneficiary premium.

MA Regional PPO Benchmarks

Per section 1858(f)(2) of the Act, the standardized PPO benchmark for each MA region is a sum of two components: (i) a statutory component consisting of the weighted average of the county capitation rates across the region for each appropriate level of star rating; and (ii) a competitive, or plan-bid, component consisting of the weighted average of all of the standardized A/B bids for regional MA PPO plans in the region. (Such regional MA plan bids relate to the benefits covered under Parts A and B of Medicare.) The two components are then summed for each region, with the statutory component reflecting the national market share of Original Medicare and the regional MA plan-bid component reflecting the market share of all MA organizations in the Medicare population nationally. In other words, the weights used in combining the statutory and competitive components of the benchmark are the same for all regions and are equal to the national enrollment percentages, respectively, for Original Medicare and all MA plans. For CY 2027, the national weights applied to the statutory and plan-bid components are 44.8 percent and 55.2 percent, respectively.

The separate weighted-average statutory component and weighted-average competitive component in each region are determined based on the following weights:

- The weighting for the statutory component is based on all MA eligible individuals in the region — i.e., all Medicare beneficiaries who are either in the Original Medicare program or enrolled in an MA plan and who are entitled to benefits under Part A and enrolled in Part B.

- The weighting for the plan-bid component is based on the enrollment in regional MA plans in the region for the reference month of June 2026. (That is, the weight for each plan's bid is based on the plan's market share in the region.)

As stated in the *Advance Notice of Methodological Changes for Calendar Year 2027 for Medicare Advantage Capitation Rates and Part C and Part D Payment Policies* ("2027 Advance Notice") and *Announcement of Calendar Year 2027 Medicare Advantage Capitation Rates and Part C and Part D Payment Policies* ("2027 Rate Announcement"), these benchmarks reflect the average bid component of the regional benchmark excluding EGWPs. The statutory and plan-bid components of the MA regional standardized benchmarks for 14 of the 26 MA regions[2] are in the file Regional Rates and Benchmarks 2027, which can be accessed on the CMS website through the following link: https://www.cms.gov/files/document/regional-rates-and-benchmarks-2027.pdf.

MA Regional EGWP Payment Rates

In accordance with the payment methodology finalized in the 2027 Rate Announcement, the 2027 EGWP Regional payment rates are being released concurrently with this 2027 MA Regional benchmark release. For detailed descriptions of the payment policy finalized for 2027, please refer to the 2027 Advance Notice and 2027 Rate Announcement: https://www.cms.gov/medicare/payment/medicare-advantage-rates-statistics/announcements-and-documents.

[2] In the remaining 12 MA regions, there are no regional MA plans.

The payment rates for Regional EGWPs are in the file Regional Rates and Benchmarks 2027, which can be accessed on the CMS website through the following link: https://www.cms.gov/files/zip/2027-regional-ppo-egwp-rates.zip.

Part D CY EGWP Prospective Reinsurance Amount

In accordance with the payment methodology described in the Final CY 2025 Part D Redesign Program Instructions, the CY 2027 prospective reinsurance payment amount for Part D Calendar Year EGWPs is being released concurrently with this release of the Part D national average monthly bid amount, Part D base beneficiary premium, and related Part D bid information. For a detailed description of the methodology, please refer to the Final CY 2025 Part D Redesign Program Instructions: https://www.cms.gov/files/document/final-cy-2025-part-d-redesign-program-instructions.pdf.

For CY 2027, CMS is calculating the prospective reinsurance payments to all Part D Calendar Year EGWP sponsors using the weighted average of the per member-per month (PMPM) prospective reinsurance amounts submitted by Part D sponsors for enhanced alternative (EA) plans as part of the Part D bid submissions for the payment year in question. For CY 2027, this amount is $63.21.

/s/
Jennifer Lazio, F.S.A., M.A.A.A. Director, Parts C & D Actuarial Group Office of the Actuary

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MEDICARE PLAN PAYMENT GROUP

DATE: July 28, 2026

TO: All Medicare Advantage Organizations and Medicare Prescription Drug Plan Sponsors

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

SUBJECT: Release of the *De Minimis* Amount and Operational Guidance

In this memo, the Centers for Medicare & Medicaid Services (CMS) is releasing information regarding the CY 2027 *de minimis* amount. In addition, this memo provides instructions and timelines for completing rebate reallocation and volunteering to waive the *de minimis* amount. All Part D sponsors will have from Tuesday, July 28, 2026, until 11:59 PM PDT on Thursday, August 6, 2026, to complete rebate reallocation. Following the conclusion of the reallocation windows, Part D sponsors will have from Friday, August 7, 2026, until 11:59 PM PDT on Tuesday, August 11, 2026, to inform CMS of their intent to participate in the *de minimis* program.

De Minimis Amount

Under section 1860D-14(a)(5) of the Act, a prescription drug plan (PDP) or Medicare Advantage (MA) prescription drug (MA-PD) plan may volunteer to waive the portion of beneficiary's monthly adjusted basic Part D premium that is a *de minimis* amount above the low-income subsidy (LIS) benchmark for a subsidy eligible individual. The law prohibits CMS from reassigning LIS members from plans who volunteered to waive the *de minimis* amount. The *de minimis* amount for CY 2027 will be $2.

Operational Guidance and Deadlines

Rebate Reallocation - Action by 11:59 PM PDT on Thursday, August 6, 2026

MA organizations that offer MA-PD plans will have from Tuesday, July 28, 2026, until 11:59 PM PDT on Thursday, August 6, 2026, to complete rebate reallocation. Plan-specific information, such as plan standardized bid amounts, plan-specific premiums, and MA rebate dollars used, can be found at the following path in HPMS:

HPMS Home > Plan Bids > Bid Submission > CY 2027 > Review Plan Data > Review Plan Data

After reviewing the plan-specific information in HPMS, some bids may need to be resubmitted to adjust the MA rebate dollars in the Bid Pricing Tool (BPT). Local MA-only plans (which do not offer Part D) and PDPs (which cannot use MA rebates) cannot resubmit their bids during the rebate reallocation period. In instances when an MA-PD plan allocates all of its MA rebates to buy down the Part D basic premium and the plan's intended target for its Part D basic premium is the low-income premium subsidy amount, the MA-PD plan may volunteer to use the *de minimis* premium policy.

Guidance on rebate reallocation and premium rounding can be found in Appendix E of the Instructions for Completing the MA BPT for Contract Year 2027. Changes to the BPT must be in accordance with the guidance contained in Appendix E.

If resubmitting, the Part D bid pricing tools must reflect the final benchmarks released earlier in this announcement. Except in specific circumstances described in Appendix E for plans with negative total Part D premium, no pricing changes will be accepted to the Part D bid forms.

As a reminder, CMS expects MA organizations to submit CY 2027 plan bids that satisfy our requirements, including, but not limited to, service category cost sharing, per member per month actuarial equivalence, Total Beneficiary Cost, and, for Part D benefit packages in MA- PDs, meaningful difference. CMS will not approve plan bids that do not satisfy our requirements.

A "final" actuarial certification must be submitted by all plans. A separate announcement will be released regarding the submission of final actuarial certifications.

If you have questions about this information, please submit them to actuarial-bids@cms.hhs.gov.

If you have technical questions about your resubmissions, please contact the HPMS Help Desk at 1-800-220-2028 or hpms@cms.hhs.gov.

Volunteering to Waive the De Minimis Amount - Action by 11:59 PM PDT on Tuesday, August 11, 2026

Part D sponsors of eligible plans must actively inform CMS of their intent to participate in the *de minimis* program. Sponsors can inform CMS of their intent to participate starting Friday, August 7, 2026, until 11:59 PM PDT on Tuesday, August 11, 2026.

The mechanism to volunteer for *de minimis* can be found at the following path in HPMS:

HPMS Home > Plan Bids > Bid Submission > CY 2027 > Review Plan Data > Voluntary De Minimis

The 'Voluntary de minimis' link will be available at the left navigation bar. The default value will be unchecked (i.e., "No"), and eligible plans must select the checkbox to indicate that they want to volunteer to participate.

Please send any questions about *de minimis* to PartDPaymentPolicy@cms.hhs.gov.