

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



CENTER FOR MEDICARE

DATE: January 29, 2026

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

FROM: Jennifer R. Shapiro, Director, Medicare Plan Payment Group

SUBJECT: Medicare Advantage/Prescription Drug System (MARx)
February 2026 Payment – INFORMATION

This letter provides information about the February 2026 Medicare Advantage/Prescription Drug payment, which is scheduled for receipt on January 30, 2026, and other payment related items that may require plan action.

2026 National Default Rate used in January and February 2026 PACE Payments

As stated in the January 2026 payment letter “Medicare Advantage/Prescription Drug System (MARx) January 2026 Payment – INFORMATION”, the Medicare Advantage monthly capitated PACE State and County Code (SCC) rates for 2026 were not utilized when calculating the January 2026 PACE payment. Instead, the national default rate for 2026 was applied. CMS anticipated that the PACE SCC rates would be utilized to calculate the February 2026 payment, however, rates will be applied to the prospective March payment. Retroactive payment adjustments for January and February will be calculated and included in the March 2026 Monthly Membership Report Detail data file (MMR) with Adjustment Reason Code (ARC) 94 – Special Payment Adjustment Due to Cleanup and Cleanup ID CS4617180.

Plan Payments for Employer Group Waiver Plans Participating in the Voluntary Part D Premium Stabilization Demonstration

For Employer Group Waiver Plan (EGWP) standalone prescription drug plans (PDPs) participating in the voluntary CY 2026 Part D Premium Stabilization Demonstration (the demonstration), there is a delay in distribution of the \$10 increase in direct subsidy payments beginning with January 2026 payments.

CMS has identified an issue where updates to the direct subsidy and low-income premium subsidy amount (LIPSA) for EGWP standalone PDPs participating in the demonstration in CY 2026 are not reflected in the January 2026 plan payments. As such, participating EGWP PDPs are not receiving the \$10 increase in direct subsidy payments per enrollee. In addition, for low-

income subsidy (LIS) enrollees, some participating EGWP PDPs are receiving approximately \$10 more in LIPSA payments per enrollee than they should be receiving for payment under the demonstration.

This issue only affects payment for EGWP PDPs participating in the demonstration. Payments for participating non-EGWP PDPs have not been affected by this delay. CMS is actively working on addressing the issue and anticipates that it will be corrected by late spring, at which time we will retroactively adjust payments back to January 2026.

For additional information about the demonstration, please refer to the July 28, 2025, HPMS memorandum titled, “Voluntary Part D Premium Stabilization Demonstration for Standalone Prescription Drug Plans, Release of the *De Minimis* Amount, and Operational Guidance.”

Questions regarding this issue can be sent to PartDPaymentPolicy@cms.hhs.gov.

Sequestration

Per legislative statute, on April 1, 2013, there began a 2.0% sequester of payments for medical services and supplies. For the period May 1, 2020, through March 31, 2022, a suspension of sequestration existed. Sequestration at a rate of 1.0% began on April 1, 2022, and continued through June 30, 2022. Effective July 1, 2022, sequestration at the original statutorily established rate of 2.0% was restored and remains in effect. Retroactive payment adjustments are calculated accordingly.

Submitting MAPD Help Desk Trouble Tickets Involving Premium/Payment Information

CMS has a mission to provide clear, accurate, and timely information about CMS programs to the entire health care community to improve quality and efficiency in an evolving health care system. If you have already submitted a trouble ticket, no further action is required by the plan. If you have been informed by the help desk that your ticket has been consolidated under a “parent ticket,” that means we are aware of an issue or concern affecting multiple organizations and will be working on addressing the issue. Knowing how many organizations are reporting the same problem under the parent ticket allows us to assess the scale of the problem and helps us prioritize the fix to the issue.

If you have any questions or concerns about any of the information within this letter or wish to inquire about the adjustment going into the monthly payment for your plans, please contact the MAPD Help Desk at mapdhelp@cms.hhs.gov, or 1-800-927-8069.