CMS Response to Public Comments Received for CMS-10142

The Centers for Medicare and Medicaid Services (CMS) received comments from two plan sponsors related to CMS-10142. This is the reconciliation of the comments.

Comment:

This year, MAOs had two additional days to complete rebate reallocation. The additional two days were extremely helpful, and we encourage CMS to provide the same number of days for the CY2026 bids.

Response:

This comment is out of scope for CMS-10142 which addresses the Bid Pricing Tools and Bid Instructions. All benefit-related questions should be directed to the appropriate mailbox.

Comment:

The plan sponsor requests temporary flexibility for rebate reallocation over the next few years as the Part D changes from the IRA are phased in. The plan sponsor noted that maintaining the portfolio alignment from the June bid to the rebate reallocation bid has become more challenging due to the significant changes required at rebate reallocation.

Response:

CMS appreciates the comments on maintaining portfolio alignment during rebate reallocation. We do not intend to change the requirements for rebate reallocation during the IRA phase in.

Comment:

The plan sponsor proposes that MAOs be allowed to meet the change in margin (Appendix B, item 10.3.2) at the parent organization level instead of at the bid level while making benefit changes such that the change in Worksheet 4, cell R108 is between $0 and amount of unallocated rebate dollars (Appendix B, item 10.3.1).

Response:

CMS appreciates the comments on the gain/loss margin requirements for rebate reallocation for CY 2026. We do not intend to change the requirements to the parent organization level. CMS evaluates rebate reallocation changes at the bid level because it is a bid level exercise. Furthermore, the revenue in the bid pricing tool must represent the revenue requirement for each bid.

Comment:

As an alternative to the proposal above, the plan sponsor requests that CMS allow a 0.5% bid level margin change as long as the parent organization margin change was within 0.1%.

Response:

CMS evaluates rebate reallocation changes at the bid level because it is a bid level exercise. Furthermore, the revenue in the bid pricing tool must represent the revenue requirement for each bid.

We do not intend to evaluate gain/loss margin as a percent of revenue during rebate reallocation. CMS considered feedback from industry for the CY 2025 BPT instructions that demonstrated that the percent of revenue method was not an equitable evaluation method given differences in revenue requirements among different sized plans.

Comment:

The plan sponsor recommends that CMS adopt an allowable margin change of $3 and allow for the change in Worksheet 4, cell R108 to be from $0.00 to a minimal amount above the change in unallocated rebate dollars (e.g., $0.50 pmpm).

Response:

CMS appreciates the comments on the rebate reallocation requirements for gain/loss margin and A/B mandatory supplemental benefits revenue requirement changes made during rebate reallocation. In accordance with the 2005 final rule, CMS does not expect, and will not allow, MA organizations to substantially redesign Part C supplemental benefits during the rebate reallocation period. Therefore, we do not intend to provide any further flexibility for these requirements and require all plan sponsors to be able to meet both requirements simultaneously.

Furthermore, this request would expand the purpose of rebate reallocation to achieve a desired total plan premium. Rebate reallocation is only an opportunity to (i) achieve the target plan intention for the Part D basic premium, and (ii) reflect the published MA regional benchmarks in RPPO bids. It may not be possible for plan sponsors to return to the total estimated plan premium.

Comment:

The plan sponsor recommends that CMS use a percentage margin change measurement rather than the flat dollar amount of $1.00 PMPM due to the revenue differences across product types.

Response:

We do not intend to evaluate gain/loss margin as a percent of revenue during rebate reallocation. CMS considered feedback from industry for the CY 2025 BPT instructions that demonstrated that the percent of revenue method was not an equitable evaluation method given differences in revenue requirements among different sized plans.

Comment:

The plan sponsor recommends that CMS replace the requirements in Appendix E 10.3.1 and 10.3.2 with the requirement for the change in total rebates to be within +/- $0.50 pmpm.

Response:

CMS appreciates the comments on the A/B mandatory supplemental benefits requirements for rebate reallocation for CY 2026. We do not intend to change the requirements for Appendix E 10.3.1 and 10.3.2. CMS evaluates the change in A/B mandatory supplemental benefit due to its direct relation to the value of dollars required for rebate reallocation.

Comment:

A commenter recommends that CMS evaluate additional flexibilities in rebate reallocation requirements especially for special need plans (SNPs) and plans with high number of low-income, dual-eligible, and/or medically complex beneficiaries. The commenter noted that (i) it is important for these beneficiaries to retain access to essential benefits without increased premiums or reduced coverage; and (ii) misalignment in plan offerings—as a result of rebate reallocation—may cause disruptions in care for these beneficiaries more than other beneficiaries in the MA market.

Response:

CMS appreciates the comments on the rebate reallocation requirements for CY 2026 and their impact on beneficiaries with special needs. We do not intend to change the requirements. Current requirements provide flexibilities for all plans, including those that serve beneficiaries with special needs.

In accordance with the 2005 final rule, CMS does not expect, and will not allow, MA organizations to substantially redesign Part C supplemental benefits during the rebate reallocation period. Therefore, we do not intend to provide any further flexibility for these requirements and require all plan sponsors to be able to meet the rebate reallocation requirements.

Comment:

A commenter expresses concern around the increase in the annual burden estimate presented in the 60-day PRA posting. The commenter states that this increased annual burden may pose a significant administrative burden to smaller MAOs and non-profit organizations and have a negative impact on health equity.

Response:

CMS appreciates the comments on the increased annual burden and concern for small nonprofit organizations. As noted in the burden section of the PRA, while CMS has updated the burden estimates, the increase is not due to proposed changes for the CY 2026 bidding cycle. The burden update incorporates cumulative changes made to the Bid Pricing Tool since the last survey in CY2011, as well as salary updates over this period. In addition, the number of bid submissions (responses) has increased steadily over time which has increased the aggregate burden. While the IRA prompted the addition of some additional input cells in the Part D BPT, it also eliminated a full worksheet for the coverage gap phase.

CMS will continue to remain cognizant of the administrative burden on plan sponsors, specifically, smaller MAOs and non-profit organizations when incorporating any future changes into the BPTs.

Comment:

A commenter states that the CMS updates to the Bid Pricing Tool and related processes have the potential to significantly improve the management of prescription drug plans under Medicare. By addressing administrative burdens, promoting equity, and enhancing transparency, these changes could lead to more affordable and accessible medication options for beneficiaries. The commenter goes on to state that to fully realize these benefits, CMS must prioritize stakeholder collaboration and leverage emerging technologies to support a value-driven, patient-centered approach to prescription drug coverage.

Response:

CMS appreciates the comments around the updates to the Bid Pricing Tool. Regarding the request that CMS prioritize stakeholder collaboration, CMS plans to continue the practice of holding Actuarial User Group calls to facilitate industry feedback. These calls are offered in November and February as well as weekly in April and May prior to the bid submission deadline. Plan sponsors and industry actuaries can send in questions and comments in advance of the calls or ask them live during the calls.

In addition to the actuarial user group calls, OACT will provide industry with a comment period in February in which they can fully test the beta version of the Bid Pricing Tools and Bid Instructions. CMS also plans to stay abreast of technology advancements and will consider leveraging any new technology that would increase efficiency or decrease burden on the plans.