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Final Call Letter Risk Adjustment Highlights

On 04/06/26, CMS released the Calendar Year (CY) 2027 Final Notice and Draft Part D Redesign Program Instructions. This document highlights the salient items affecting risk adjustments for PACE programs as outlined within the Final Notice.

MODEL CHANGES

PACE will continue to transition to risk adjustment models, that aligns with the models used for Medicare Advantage plans. Timeline for full transition has been accelerated along with phasing out the submission of RAPS files.

HCC Model

CMS will not implement a new HCC model as proposed.

CMS will continue blending the models listed below:

- 2017 CMS-HCC model (v22-PACE): 50% of the risk score will be calculated with diagnoses from RAPS, encounter data, and FFS claims; and
- 2024 CMS-HCC model (v28-MA): 50% of risk score calculated with diagnoses from encounter data and FFS claims only

ESRD Model (Dialysis & Functioning Graft)

CMS will continue blending the models listed below:

- 2019 CMS-HCC model (PACE): 50% of the risk score will be calculated with diagnoses from RAPS, encounter data, and FFS claims; and
- 2023 CMS-HCC model (MA): 50% of risk score calculated with diagnoses from encounter data and FFS claims only

RxHCC Model

CMS will implement the updated RxHCC models, listed below, as proposed.

- 2027 CMS-RxHCC model (18/19) PACE: 50% of the risk score will be calculated with diagnoses from RAPS, encounter data, and FFS claims; and
- 2027 CMS-RxHCC model (22/23) MA: 50% of risk score calculated with diagnoses from encounter data and FFS claims only

Updated models reflect changes related to the IRA of 2022.

FORMULA FACTOR CHANGES

Factor	CY2026	CY2027	Impact
MA Coding Adjustment	-5.90%	-5.90%	No Change
Normalization			
2017 CMS-HCC Model (v22)	1.187	1.202	Negative
2024 CMS-HCC Model (v28)	1.067	1.079	Negative
ESRD Dialysis			
2019 ESRD CMS-HCC Model	1.129	1.145	Negative
2023 ESRD CMS-HCC Model	1.062	1.072	Negative
ESRD Functioning Graft			
2019 ESRD CMS-HCC Model	1.203	1.209	Negative
2023 ESRD CMS-HCC Model	1.104	1.119	Negative
RxHCC Normalization			
2026 RxHCC Model (18/19)	1.202	1.237	Negative
2027 RxHCC Model (18/19)			
2026 RxHCC Model (22/23)	1.194	1.109	Positive
2027 RxHCC Model (22/23)			

FRAILTY FACTOR

There are no changes to frailty factors as proposed. CMS will blend frailty factors associated to the 2017 CMS-HCC model (v22) and 2024 CMS-HCC model (v28) To calculate the Frailty Scores.

RISK ADJUSTMENT SOURCES OF DIAGNOSES FOR 2027

CMS will calculate risk scores using a 50/50 blend of the PACE and MA models within the Model Changes section.

CMS is finalizing the proposal to exclude diagnoses from audio-only services to adhere to MA model submission policy.

The exclusion of diagnoses from unlinked Chart Review Records (CRRs) for risk score calculations does not apply to PACE.

For more information on the regulations, please visit: <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvgtgSpecRateStats/Announcements-and->

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CONTACT US

We're pleased to bring you this important insight. Should you have any questions about this information, please do not hesitate to contact:

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