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January 15, 2026

Dr. Oz Touts MA at JPMorgan Healthcare Conference

Oz Notes Incremental Star Ratings Policy Coming & Our Take on HRA & 2027 Rates

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Our Take & Next Up

At the JPMorgan Healthcare Conference, CMS Administrator Mehmet Oz emphasized that the agency wants MA to grow "the right way." MA, he and Leader Chris Klomp noted, is a critical program and the government needs to be a wise steward of resources.

"We want MA to be stable and predictable," as the program has lost trust, according to Dr. Oz. The Administrator and his deputies noted that they do not want risk adjustment (RA) to be a source of competitive advantage. This is both a complex and technical problem. Other tidbits from the keynote panel are below, along with our take on the '27 rate notice, HRA, new risk adjustment model(s) and *No UPCODE Act.*

Key Points

CMS Administrator Dr. Oz provided a keynote address at JPMHC26 and took a selfie with the Grand Ballroom attendees on Tuesday Jan 13. Oz was joined by: Stephanie Carlton, Deputy Administrator & Chief of Staff, CMS, Chris Klomp, Deputy Administrator & Director, CMS, Dan Brillman, Medicaid and CHIP Director, CMS, Amy Gleason, Strategic Advisor, CMS.

More changes are coming to the MA Star Rating program. The CMS crew pointed to changes to Stars that are coming. As a reminder, in the MA and Part D rule (our take here), the agency eliminated 12 administrative measures to shift greater emphasis from *processes* to *outcomes*. With fewer total measures in the program, the remaining measures, particularly those tied to outcomes, beneficiary experience, and clinical care, will carry greater weight in overall Star Ratings than in prior years.

The CMS team also hit on health tech priorities with milestones in 2026 such as upcoming OBBBA Medicaid rules, and pilot programs like WISeR. As we noted in our 2026 Outlook, most CMMI pilots rolled out in 2H25 focus on reforms to Traditional Medicare such as: ELEVATE, ACCESS, and WISeR, impacting FFS Medicare (versus MA).

We look to a +4-6% MA pay update for 2027 based on policies in prior years' rules and regulations. The regulation (OMB notice here) will likely be released by February 4. Given our expectations of growth rate and concern about stability in the MA program noted by Chris Klomp at JPM, we believe that the bottom line for the Advance Notice could be in the range of 4 to 6%, and do not expect major surprises, such as around HRAs (health risk assessments).

Given the tens of billions in skin substitute fraud, we could see this flow to a downward adjustment to 2027 rates. If historical Medicare spending trends include inflated or fraudulent spending on high-cost items like skin substitutes, that can artificially raise baseline spending used in setting MA benchmarks and risk adjustments. CMS may lower the estimated costs that feed into MA payment formulas, potentially downwardly adjusting MA rates (all else equal).

Growth rate assumptions are hard to make but there is catch up to be included for prior years' utilization. In the 2026 Final Notice, CMS projected a FFS growth rate of ~6% from 2026 to 2027. Recent spending estimates provided to ACO participants suggest that CMS may be under-projecting spending for 2025, and that costs from 2024 to 2025 may have increased by 9%, as compared to ~6%.

- CMS's ACO trend correlation can't always be trusted because the Office of the Actuary can make many tweaks to the MA benchmarks and we believe it is often a black box.
- CMS may revise their estimate upward for 2027, because they would be starting from a higher base amount for 2025. This increase could be as much as 9%, but the size of this increase depends on whether or not CMS assumes *higher* spending continues into 2027.

A brand new Risk Adjustment (RA) model is unlikely, such as an imputed risk model or a V29, given the RFI in the MA & Part D rule. We believe it is unlikely that CMS will implement a new encounter data model, or any changes to the risk adjustment model, for 2027 given that the three year phase in of the V28 model ends in 2026. Also (our take here) the RFI from CMS (our take here) in the 2027 Proposed Rule (before Thanksgiving) asked a number of questions about the future of risk adjustment, and CMS may want to wait for the responses to the RFI before determining any model changes.

Recall, CMS had previously indicated in the 2026 advance notice they could have a model that is estimated on MA claims, or encounter data, as soon as 2027. Because the V28 was estimated on 2018 diagnoses and 2019 spending, it is possible that CMS may choose to update the model with more recent data, which could result in some changes to the coefficients (e.g. some diseases could have higher values and some could have lower values). However, we think it is less likely that CMS will perform these updates due to concerns about program stability.

Part C normalization outlook. CMS makes a technical adjustment to the risk scores such that the average risk score for the payment year is set to 1.0. Because the V28 model is estimated on 2018 diagnoses and 2019 spending, CMS would need to project the fee-for-service risk score growth between 2019 and 2027 in order to estimate this normalization factor. We believe that the normalization factor should come in around ~1-2%.

Health Risk Assessments/Chart Review policy is likely to be light touch. MA plans have been scrutinized for upcoding relative to Medicare, and HRAs and unlinked chart reviews are mechanisms by which plans increase their risk scores.

Our take on HRA scenarios and *No UPCODE Act*: (a) CMS may seek to either require HRAs to have a follow-up visit to count for risk adjustment, or could (b) decide to no longer allow diagnoses from HRAs to count for risk adjustment purposes (we think (b) is less likely, and *No UPCODE* (here) is not ready for prime time). A high fee-for-service growth rate for 2027 could give CMS cover to impose new restrictions on the use of HRAs while still stating that the bottom line for plans would be ~4-5%, roughly similar to the bottom line for 2026.

The Part D Demonstration will likely continue to wind down with '27 possibly being the last year. We expect that CMS may continue with the demonstration, but that they will signal that 2027 would be its last year. We also expect that the demonstration will be less generous in terms of the financial support the plans are offered. In addition, we anticipate that CMS will continue to have a separate normalization factor for Part D that provides them with an advantage compared to MA-PDs.

Part D demo background and details. As a reminder in 2025 and 2026, standalone Prescription Drug Plans (PDPs) were able to participate in a demonstration which would limit the YoY increases in premiums and provide additional funds to PDPs in order to avoid increased premiums. CMS also made a technical adjustment to the Part D risk model payment (separate normalization factor) that benefited PDPs by increasing their risk scores compared to MA-PDs.

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