

Publications

CMS Finalizes Annual Medicare Advantage and Part D Rulemaking Updates

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In April 2025, the Centers for Medicare and Medicaid Services (“CMS”) issued multiple pieces of guidance related to Medicare Advantage plans and Medicare Part D prescription drug coverage, including the [Final CY 2026 Part D Redesign Program Instructions](#) and [final rule for contract year \(CY\) 2026 Policy and Technical Changes to the Medicare Advantage Program, Medicare Prescription Drug Benefit Program, Medicare Cost Plan Program and Programs of All-Inclusive Care for the Elderly \(CMS-4208\)](#). See our coverage of the Final CY 2026 Part D Redesign Program Instructions [here](#).

CMS finalized annual updates to the Medicare Advantage and Part D regulations. But, because the proposed rule originated under the Biden administration, CMS declined to finalize many of the proposals. Among the more notable changes, CMS adopted additional protections for inpatient care, codified examples of non-allowable special supplemental benefits for the chronically ill (“SSBCI”), and finalized proposals to implement specific mandates of the Inflation Reduction Act of 2022 (“IRA”):

- Inpatient Care Organization Determinations—Coverage decisions made when an enrollee is receiving inpatient care are considered organization determinations and, therefore, require appeal rights. Medicare Advantage organizations cannot retroactively deny or downgrade previously approved inpatient admissions except for instances of fraud or good cause for obvious error.
- Non-allowable SSBCI Examples—CMS codified a non-exhaustive list of non-allowable SSBCI that CMS determined do not have a reasonable expectation of improving or maintaining a chronically ill enrollee’s health. The exemplary list includes:
 - Procedures that are solely cosmetic in nature and do not extend upon Traditional Medicare coverage (for example, cosmetic surgery such as facelifts or cosmetic treatment for facial lines, atrophy of collagen and fat, and bone loss due to aging);
 - Alcohol, tobacco, and cannabis products;
 - Funeral planning and expenses;

- Life insurance;
- Hospital indemnity insurance;
- Broad membership-type programs inclusive of multiple unrelated services and discounts; and
- Non-healthy food, defined as “food that does not assist in meeting the nutritional needs of a chronically ill enrollee” and does not meet the requirements under § 422.102(f).
- Vaccine Cost-sharing—The Medicare Part D deductible does not apply to, and there will be no cost-sharing for, adult vaccines recommended by the Advisory Committee on Immunization Practices.
- Insulin Cost-sharing—The Medicare Part D deductible does not apply to insulin products. Additionally, the copayment will not exceed the “applicable copayment amount,” which is either \$35, 25% of the maximum fair price, or 25% of the negotiated price.
- Network Pharmacy Contract Requirements—Part D plan sponsors’ network pharmacies must enroll in the Medicare Drug Price Negotiation Medicare Transaction Facilitator Data Module (“MTF DM”), and pharmacies must certify the accuracy and completeness of their enrollment information. The MTF DM will facilitate information sharing for the IRA’s maximum fair price (“MFP”) requirements applicable to drugs for which CMS has negotiated a price. The primary manufacturer of the drug must ensure that the price does not exceed the MFP in one of two ways: (1) by prospectively ensuring that the price paid by the dispensing entity when acquiring the drug is no greater than the MFP, or (2) retrospectively providing reimbursement for the difference between the dispensing entity’s acquisition cost and the MFP. The MTF DM will help enable the retrospective reimbursement to the pharmacy.
- Medicare Prescription Payment Plan (“M3P”)—Each plan sponsor must offer enrollees the option to elect to pay cost sharing under the plan in capped monthly amounts. This rule codifies previous guidance issued by CMS with respect to M3P and implements minor changes to the program.
- M3P Auto-renewal—Part D plan sponsors must automatically re-enroll people participating in the M3P program at the end of 2025 for the 2026 contract year and subsequent years. The Part D plan sponsor must provide a renewal notice with the plan’s new terms and conditions at the end of the annual election period.

As noted above, CMS did not finalize many aspects of amendments in the proposed rule. Three of the non-finalized proposals are noteworthy:

- the proposed rule re-interpreted the statutory exclusion of weight loss drugs to allow participants to obtain coverage for weight loss drugs when used to treat obesity – because CMS did not finalize this, Part D will continue to exclude weight loss drugs from coverage;
- the proposed rule announced guardrails on using artificial intelligence for utilization management – although CMS declined to finalize this proposal, it indicated that it may engage in future rulemaking in this area; and
- the proposed rule required Medicare Advantage plans to report health equity analyses of prior authorization by individual item or service – this was not finalized so reporting is still required in the aggregate