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DATE: April 22, 2025

TO: All Stand-alone Prescription Drug Plans

FROM: Vanessa S. Duran
Director, Medicare Drug Benefit and C & D Data Group

SUBJECT: Update on PDP Crosswalks for Contract Year (CY) 2026

The Centers for Medicare & Medicaid Services (CMS) is issuing this guidance to make a correction to guidance provided in the April 1, 2025 memorandum “Contract Year (CY) 2026 Final Part D Bidding Instructions,” referred to here as the “CY 2026 Final Part D Bidding Instructions,” as well as to provide operational updates pertaining to Prescription Drug Plan (PDP) crosswalks submitted via the plan crosswalk exceptions process.

Correction to Guidance on Premium Increase Limits for Consolidated Renewal and Contract Consolidation Crosswalks

CMS reminds PDP sponsors that the changes to the crosswalk policy for individual-market PDPs finalized in the rule that appeared in the April 23, 2024 issue of the Federal Register (the April 2024 Final Rule) will be effective for the first time during the CY 2026 bid cycle. The PDP crosswalk requirements are codified at 42 CFR § 423.530. Effective for CY 2026, the regulation places limits on premium increases for PDP consolidated renewal and contract consolidation crosswalks.

In the CY 2026 Final Part D Bidding Instructions, when noting the rules for premium increases that result from PDP consolidated renewal and contract consolidation crosswalks in which a Part D sponsor non-renews a CY 2025 enhanced alternative (EA) plan benefit package (PBP) and consolidates it into a CY 2026 basic or EA PBP, CMS stated that “if the 2025 premium is less than the 2025 applicable average base beneficiary premium, then the 2026 premium may not exceed an amount *twice* the 2025 applicable average base beneficiary premium.”

We clarify, consistent with the regulation text at 42 CFR § 423.530(c)(1) and (2), that the rule for a consolidated renewal and a contract consolidation crosswalk exception approval is that the crosswalk does not result in a 2026 premium *increase* for enrollees moved from the non-renewing PBP that exceeds the greater of either:

- The current year’s (i.e., CY 2025) premium for the non-renewing EA PBP; or

- The current year's (i.e., CY 2025) average base beneficiary premium (BBP) for the PDP region in which the PBP operates.

Therefore, if the CY 2025 premium of a Part D sponsor's non-renewing EA plan is less than the CY 2025 average BBP, then the CY 2026 premium for the plan into which enrollees from the non-renewing plan are crosswalked may not exceed an amount equal to the CY 2025 premium of the non-renewing plan increased by the 2025 average BBP.

Examples:

Example 1: Proposed crosswalk where non-renewed CY 2025 EA PBP premium is greater than the CY 2025 BBP:

- A. 2025 EA PBP premium = \$100
- B. 2025 BBP = \$36.78
- C. Greater of A or B = A (\$100)
- D. 2026 renewal premium cannot exceed \$200 (A+C)

Example 2: Proposed crosswalk where non-renewed CY 2025 EA PBP premium is less than the CY 2025 BBP:

- A. 2025 EA PBP premium = \$25
- B. 2025 BBP = \$36.78
- C. Greater of A or B = B (\$36.78)
- D. 2026 renewal premium cannot exceed \$61.78 (A+C)

Updates on Crosswalk Requests and Part D Premium Stabilization Demonstration

CMS established the voluntary Part D Premium Stabilization Demonstration to test whether additional premium stabilization and revised risk corridors for stand-alone PDPs increase the efficiency and economy of services under the Medicare Part D program as the benefit improvements and changes to plan liability for beneficiary costs under the IRA go into effect in CY 2025. The demonstration reduced the BBP for participating stand-alone PDPs by up to \$15 and limited year-over-year premium increases to \$35 for individual market plans in CY 2025. Following the submission of bids for CY 2026, CMS will announce any additional premium stabilization and narrowed risk corridors no later than the annual release of the National Average Monthly Bid Amount (NAMBA), Part D BBP, and related Part D bid information in the summer of 2025.

CMS has received questions asking how we will evaluate potential premium changes for crosswalk exception requests that are submitted in June 2025 for the CY 2026 plan year. Specifically, CMS has been asked whether premiums used in the evaluation of exception requests will reflect the reduced premiums (resulting from the demonstration) as a baseline for CY 2025, and whether CMS will apply a discount to estimate CY 2026 premiums for the receiving PBP (i.e., the PBP into which the PDP sponsor proposes to crosswalk enrollees) in anticipation of a potential CY 2026 demonstration.

With respect to the question about CY 2025 premiums, the language of the regulation at 42 CFR § 423.530(c)(1)(vi) and (c)(2)(vi) states that CMS will base its assessment on “the current year’s premium” for the non-renewing PBP. Based on the plain language of the regulation, and consistent with the intent CMS expressed in establishing this policy in the April 2024 Final Rule preamble to protect beneficiaries from unanticipated large increases in premiums, we will base the assessment of premium changes on the actual premium charged by the plan for CY 2025 (i.e., inclusive of the premium reductions under the demonstration for participating PDPs). Therefore, CY 2026 crosswalk exceptions will be assessed based on how much (if at all) a proposed crosswalk would increase the premium for crosswalked enrollees in CY 2026 compared to a plan’s current CY 2025 premium after it was reduced by the demonstration.

With respect to the CY 2026 premium amounts CMS will use to assess premium increases, 42 CFR § 423.530(c)(1)(vi) and (c)(2)(vi) refer to the premium increase “as reflected in the bid...submitted on the first Monday in June.” Accordingly, CMS will calculate the premium increase based on the bid submitted in early June for CY 2026 for the PDP PBP that will serve as the receiving plan in a consolidated renewal or a contract consolidation crosswalk exception request.

Please direct policy related questions regarding this guidance to PartD_Monitoring@cms.hhs.gov, and copy PartDBenefits@cms.hhs.gov.

Please direct operational questions to PartDBenefits@cms.hhs.gov.