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**DATE:** April 17, 2025

**TO:** All Medicare Advantage Organizations and Part D Plan Sponsors

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**SUBJECT:** Contract Year 2026 Bid Review Out-of-Pocket Cost (OOPC) Models

The purpose of this memorandum is to announce that the Contract Year (CY) 2026 Bid Review Out-of-Pocket Cost (OOPC) Models will be available on the [CMS.gov website](https://www.cms.gov) on or about April 17, 2025. The CY 2026 Bid Review OOPC Models for Part C and Part D allow stand-alone Prescription Drug Plans (PDPs) and Medicare Advantage Organizations (MAOs) to calculate OOPC values for each of their plan offerings for CY 2026.

Please refer to the information set forth in the April 1, 2025 HPMS memorandum titled, “Contract Year (CY) 2026 Final Part D Bidding Instructions” and the forthcoming HPMS memorandum titled “Final Contract Year 2026 Standards for Part C Benefits, Bid Review and Evaluation” for information about how these OOPC models are used in CMS bid review activities. MAOs will need to calculate their Part C and Part D OOPC values separately and then combine them to arrive at their total OOPC value. As in the past, all MA plans (including those that do not include a Part D benefit) will have a Part C and a Part D OOPC value for bid review purposes.

**Part D Inflation Reduction Act (IRA) Provisions for CY 2026**

Please refer to the April 1, 2025 [HPMS memorandum](#) titled, “Contract Year (CY) 2026 Final Part D Bidding Instructions” and the “Final CY 2026 Part D Redesign Program Instructions” released April 7, 2026, for program instructions for implementation of Part D IRA provisions effective for CY 2026. The CY 2026 Part D Bid Review OOPC model includes the following updates:

1. The CY 2026 Bid Review Part D OOPC Model will use the maximum fair prices (MFPs) established for the 10 selected drugs for applicability year 2026<sup>1</sup> in calculation of the CY 2026 OOPC estimates.

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<sup>1</sup> [File for IPAY 2026 Negotiated Prices, also known as Maximum Fair Prices](#)

2. Consistent with the requirements of section 11406 of the Inflation Reduction Act (IRA), as codified at §423.120(h), beginning in CY 2026, the Bid Review Part D OOPC Model will incorporate the covered insulin product “lesser of” cost sharing logic. The model will effectuate this as the lesser of the following: (1) the Plan Benefit Package (PBP) submitted insulin copay (not to exceed \$35 per one month supply); (2) an amount equal to 25 percent (or less, as submitted in the PBP) of the MFP established for a covered insulin product in accordance with IRA provisions, as applicable; (3) an amount equal to 25 percent (or less, as submitted in the PBP) of the plan negotiated price. For purposes of the model, the negotiated price is calculated as the average of negotiated prices using 2024 PDE across all Part D plans.
3. Prior to CY 2025, the OOPC model utilized estimated total gross covered drug cost accumulation for applicable beneficiaries to move the beneficiary through the phases of the benefit. Starting in CY 2025, with the implementation of the Part D redesign provisions, the OOPC model transitioned to the use of True-Out-Of-Pocket Costs (TrOOP) to determine when the beneficiary progresses through the phases of the benefit. The CY 2026 OOPC model has been updated to reflect the clarifications issued in the [HPMS memorandum](#) released December 9, 2024 titled, “Additional Prescription Drug Event Record Reporting Examples for Implementation of the Inflation Reduction Act for Contract Year 2025.”
4. The CY 2026 Bid Review Part D OOPC Model will continue to incorporate functionality for Part D sponsors to run the formulary tied to any plan through a Defined Standard (DS) benefit design. This will assist Part D sponsors in meeting the enhanced alternative (EA) benefit design requirements, and PDPs in meeting meaningful difference requirements. *See Sections 40 and 50 in the “Final CY 2026 Part D Redesign Program Instructions” released April 7, 2026.*

### **CY 2026 May Formulary Reference File (FRF) Refresh**

CMS intends to release a refreshed version of the CY 2026 Part D Bid Review OOPC model to account for changes to the CY 2026 May FRF. Given the limited timeframe between the May release of the CY 2026 May FRF and the June 2, 2025 bid submission deadline, CMS will publish a refreshed CY 2026 Part D Bid Review OOPC model that includes the FRF changes as quickly as possible. As in the past, CMS notes that the only change to the model will be the input files to reflect the anticipated small number of changes between the March and May FRFs. This will include both FRF additions and deletions, both of which are expected to have a neutral impact or reduction in OOPC estimates.

As a reminder, sponsors and plans can view their CY 2026 Baseline OOPC values in HPMS. MAO OOPC values can be viewed in HPMS under: **Quality and Performance > Performance Metrics > Reports > Costs > Part C Out-of-Pocket Costs**. PDP OOPC values can be viewed in HPMS under: **Quality and Performance > Performance Metrics > Reports > Costs > Part D Out-of-Pocket Costs**.

All documentation and instructions associated with running the OOPC models will be posted on the CMS website on the [OOPC Resources](#) page on or about April 17, 2025.

### Technical Specifications

The CY 2026 Bid Review OOPC Models were developed and tested using the following:

- SAS Version 9.4 on 64-Bit workstations and Microsoft 365 version of Excel
- Software that can process .Zip files to unzip the OOPC Model package

Sponsors will need the following files to input into the models:

- A list of contract/plan/segment numbers
- PBP data in HPMS downloaded JSON file format
- Drug formulary data.

Detailed information on all the files provided in the models and the instructions on the sequence of executing these files will be provided in a Technical User Guide, available on or about April 17, 2025.

### Questions

Contact CMS with any questions or issues at the appropriate mailbox below.

- For Part C policy-related questions, such as Total Beneficiary Cost (TBC), please submit inquiries to the MA Benefits Mailbox at: [mabenefitsmailbox.lmi.org](mailto:mabenefitsmailbox.lmi.org)
- For Part D policy-related questions about meaningful difference, please submit an email to [PartDBenefits@cms.hhs.gov](mailto:PartDBenefits@cms.hhs.gov)
- For technical questions about the Bid Pricing Tool, please submit an email to [Actuarial-Bids@cms.hhs.gov](mailto:Actuarial-Bids@cms.hhs.gov)
- For technical questions about the OOPC models, please submit an email to [OOPC@cms.hhs.gov](mailto:OOPC@cms.hhs.gov)

### Resources

Item(s)	Location	Expected Date
<ul style="list-style-type: none"> <li>• CY 2026 Bid Review OOPC Models</li> <li>• Technical User Guide</li> <li>• OOPC Methodology</li> <li>• FAQs</li> </ul>	<a href="#">CMS OOPC Resources</a>	April 17, 2025
<ul style="list-style-type: none"> <li>• CY 2026 Part D Bid Review OOPC Model – May FRF Refresh</li> </ul>	<a href="#">CMS OOPC Resources</a>	Late-May 2025